Dia % Investor's Day

Agenda

Schedule	Content	Speaker
8:30-10:10	**1st SECTION: EFFICIENCY AND FRANCHISE; KEYS FOR SUCCESS IN «PROXIMITY» STORES**	
	Welcome and introduction	Ricardo Currás, CEO
	Being efficient in proximity	Julián Villena, Supply Chain Director DIA Group
	Franchise: a key differentiation feature in proximity	Antonio Coto, Executive Director LatAm & Partnership
	Q & A	
10:10-10:30	**Coffee break**	
10:30-12:40	**2nd SECTION: HOW TO GROW IN PROXIMITY**	
	Driving Like-for-Like sales growth	Juan Cubillo, Commercial Director DIA Group
	1) Loyalty Programme	Luis Martínez, Commercial Director DIA Spain
	2) Private label	Miguel Guinea, Commercial Director DIA France
	Incremental opportunities in proximity	Diego Cavestany, Operations Executive Director DIA Spain
	Financial overview	Amando Sánchez, CCO
	Closing comments	Ricardo Currás, CEO
12:40-14:00	**Lunch**	
14:00-16:00 approx.	**Stores teach-in (short-version)**	DIA Fresh -> DIA Market -> Airport / Hotel
14:00-17:00 approx.	**Stores teach-in (long-version)**	DIA Market -> DIA Fresh -> DIA Maxi -> Airport / Hotel

WELCOME AND INTRODUCTION BY RICARDO CURRAS, CEO OF DIA

Ricardo Currás, CEO of DIA: Good morning, ladies and gentlemen. Thank you very much for coming, especially those who were not yesterday in the dinner with us. It is a great pleasure for me to receive you here in this first Investor´s Day after the listing.

Well, I have a question for you. Have you the answer to the question we made yesterday? For those who didn't come to dinner, I have to say that I made -- you know that you make a lot of questions and you will make a lot of questions today, so we wanted, also, yesterday to make you some questions, and yesterday I did one question which was, "Do you know what the 2P business is about?" So let me have just a few seconds and you will all know the answer.

But let's start with the agenda of the meeting. We have a prepared agenda today in which we want to get inside the company. We will start with an introduction of what our company has done in the last 15 months.

Afterwards you will have the opportunity to listen to Julián Villena, who will speak about efficiency and proximity, supply chain of a low-cost operator.

Immediately after, Antonio Coto will tell you all the secrets of our franchise system, and before the coffee break, we will have a Q&A session.

After the coffee break, it is time to speak about growth, how we are going to grow faster in the next years, so Juan Cubillo will speak about like for like enhancement through constant commercial formats update. He will be with Luis Martínez.

And Miguel Guinea will speak about the loyalty program, the Club Dia and the private label.

And we will also have an insight on new formats and new opportunities in proximity by Diego Cavestany.

Finally, before the second Q&A, we will have the numbers, the figures with Amando Sánchez, who will make financial overview.

And finally, some comments to close the session, having lunch, and going to our stores, which is, from my point of view, one of the most interesting things we are going to do today.

Well, here's the answer. Consumers love more and more 2P retailers. It's happening everywhere. Two weeks ago I was in China and had the opportunity to meet some investors. Our business in China is small, so I thought, why are they so interested? And the final answer is that they are eager, the investors are eager to invest in 2P concepts, in 2P retailers.

Our competitors are, and you know very well because you are in touch with them, are also eager to get into the 2P business. The share of 2P business in a retailer, from our point of view, will become a key measure, if it is not today, of the performance of this retailer.

And there is always a question here: Is it easy to be a 2P food retailer? Is it easy to change the model to have a significant share in the 2P business? I don't think so. What is true is that DIA is in the 2P business from its inception. What we want to show today with a deep qualitative insight to our company is that we are surely one of the best 2P food retailers.

Let me now, before getting into more details with the next presentations, wrap up what we have been doing since 5 July 2011 and how our strategic vision has evolved in these 15 months.

Great news coming from DIA since the listing 15 months ago -- earning deliveries, quarter after quarter, in extremely challenging context, big progress reinforcing our strengths: Franchise, private label, cost reduction and better prices, and better price image; very fast applying growth in our markets, especially in Brazil and Argentina; and very important more growth, too, in western Europe, which is a difference with what we had before, especially in Iberia with a better like for like and more expansion generating two promising growth opportunities.

Every quarter we have beaten consensus, delivering results, proving with facts our commitment with profitable growth. I'm especially happy when I see that trust in DIA from you is mounting, and our ability to convince the market, to convince you that DIA is a growth retailer. You will see in the following presentations how and how fast we are reinforcing our strengths -- 648 new franchises opened, 41 percent of our total stores at the end of September, qualitative and quantitative progress with our private label, the never-ending process of cost efficiency. It is outstanding how we have been able to decrease 100 basis points in distribution costs in only, sharply, three years' time, and our leadership in price image sustained in constant smart price investment supported by the Club Dia loyalty program.

Emerging markets growth and expansion is a key opportunity for DIA. The results are talking. Over 23 percent increase in sales, quarter after quarter, with an outstanding like for like, especially in Brazil and Argentina, where our growth rates in sales with more openings is close to 30 percent in the last three quarters.

In France, we have a 100 percent modern network from August this year. No more underinvested. We have made good and fast progress with franchise, and ambitious and successful cost reductions. Now it is time to reinforce, to overhaul our commercial proposition.

Our leading price position in Iberia and our unique approximate estimate network explain why we are growing faster in 2012 in the middle of a big storm. The storm will last one, two more years, who knows, but our company is strong, probably the strongest in Iberia, when you look at our growth track, our growth prospects, and our profitability level. Rural franchise expansion, DIA Fresh, Schlecker, will add more profitable growth to come.

DIA Fresh and Schlecker add two growth avenues for the future, specialist complementary formats in food and household personal care categories, proximity discounts which can be perfectly integrated in our supply chain, and a tailor-made business for a family franchisee. Lots of commercial and marketing synergies to play specifically through a common loyalty program. And as you will see, two growth avenues for the next years, as Diego Cavestany will explain later.

How is our strategic vision evolving? What are the main changes, the new elements? Before elaborating on DIA's strategy, let's look at the market and consumer trends. In emerging markets, urban population and middle class are on the rise. With modern consumption behavior, larger boxes start to lose attractiveness. That's very clear, for instance, in China.

Inflation is an issue with rising personnel costs for companies. In this context, productivity gains are a must and we are very well positioned for that. In Western Europe, with aging populations, less disposable income through higher taxes, high inflation or lower salaries, the individuals are changing their consumption patterns, more rational and no frills. It's the zero-waste family's era. Proximity and low prices are gaining momentum in this scenario, and DIA is extremely well positioned in these 2P contexts.

Capital allocation is focusing on our growth regions. We don't forget to invest in constant commercial format update, opening new regions and creating the new growth opportunities in taking decisions when we have issues to tackle.

In 2012, more cap-ex has been allocated in our growth regions, especially in Brazil and in Argentina for faster expansion, and in Iberia for faster expansion and format update. Amando Sánchez will enter into further details later.

Formal remodeling is providing good results. As Juan Cubillo will explain, our like for like has doubled from 2011 to 2012, and it's outstanding in Iberia in 2012, 200 basic points higher than in 2011 with no gross margin erosion.

Faster growth, as I told you before, in Brazil and Argentina. One region with a master franchise agreement opening new stores from October 2012 in Salta, in the northwest of Argentina.

Rio Grande do Sul, in the south of Brazil, has been a success story this year. And we are already preparing the opening of a new region, Minas Gerais, in Brazil for next year.

Via Fresh and Schlecker are the two growth avenues for the next years. Starting from Iberia in 2012 we have already accelerated expansion in Iberia, as you know, and with these two formats, more to come in the following year. As I mentioned before, Diego Cavestany will tell us.

We must take, also, some other important decisions in 2013. In France, we must reverse our like-for-like trend, and Maxi 2, the second generation of the Maxi model that you will see this afternoon in our visit, will be launched immediately in France, from 14th November with a complete overhaul of the commercial proposition.

Here you have the first leaflet for the opening in France, the 14th of November -- it's not the final leaflet -- in which we saw what are the difference with the previous model, with the former model, which are a lot, we have a lot of new commercial propositions to offer, new categories, in-store oven-made bakery, frozen meat, new products and displays, processed meat, DIA products, wines, improved produce, fruits and vegetables, and especially fresh meat, and better promotions. All this has been tested successfully in Spain, Portugal and Argentina before.

We will invest around 100 basic points -- here you have some of the promotions -- in prices and promotions, and we will recover half of this money with a new mix and half with higher sales. That's the plan.

In China, we will focus on Shanghai where we see a good opportunity to grow. We are gaining market share in Shanghai, strongly, one of the best in terms of market share gain in Shanghai, and have a well-adapted model and it is time to open more stores.

In Turkey, the market is getting somehow irrational with a permanent price war and more and more openings. We will assess next month our right to grow profitably in the country and take the good decisions.

This is just the beginning of all we have to share with you today. I will leave you now, will leave the floor to Julián Villena, our supply chain group manager, who will unveil the power of our back office. Thank you.

BEING EFFICIENCY IN PROXIMITY BY JULIÁN VILLENA, DIA SUPPLY CHAIN DIRECTOR

Julián Villena, DIA Supply Chain Director: Thank you so much, Ricardo. Good morning, ladies and gentlemen.

Being efficient in proximity is something more than the title of this speech. We think this is one of the main reasons why we are offering the best price to our customers. My name is Julián Villena. I'm the supply chain director for the DIA Group, and I have worked in the company for over 20 years, mainly in the store and warehouse operations area.

At DIA we know that our supply chain is key for our commercial operation. "Quality and price are closer than you think."

"Are closer" means that we have more stores than our competitors close to our customers, and soon we will see how we turn proximity into a competitive advantage.

And "quality and price" means we must be the lowest-cost operator with an optimized supply chain. We are efficient because we have a system adapted to proximity which cannot be easily replicated and which covers 100 percent of our needs.

Our supply chain vision relies on two main features. These features allow us to customize our business model and therefore differentiate us from our competitors. First, we have a cost-efficient IT system, backed by a department which develops in-house tools to a streamline processes and enhance efficiency. Second is integrated. We apply an end-to-end approach, looking after every step from suppliers to checkout to improve the overall system. These two features have a clear purpose: to reduce cost and maximize on-sale availability.

We have spoken about our own management system, and we will now go into more detail as to what makes it different from our competitors. The first factor is innovation. Innovation is a discipline, not a one-off task but a full-time job which guarantees being one step ahead of the market. At DIA we have a team of engineers whose mission it is to rationalize processes and analyze new technologies. This is truly an industrial vision based on learned techniques and focused on eliminating any cost or process which does not add value.

And another legitimate question is which is the vehicle to implement this innovation? Our cost efficient IT system. What is the system like and what are the main advantages of the system? First of all, it's developed in house, so it covers our needs and we can improve it when and how we want. It's common to all countries, allowing us to support standardization and innovation very fast, setting processes and best processes. Finally, it's a very efficient tool to benchmark as it gives us the same key performance indicators for all the countries. We have a saying at DIA, "When we measure ourselves, we get things done."

We are talking about integration and automation because for us this is the way to simplify our processes. The synchronization of the different tools allows us to adjust the stocks and improve on-sale availability. This synchronization implies that we use the same forecast system in warehouses and in stores, based on sale by product and considering the effects of promotions, seasonality and our loyalty program.

We also have different specifications for each type of item -- groceries, perishables, refrigerated, et cetera. We use a complete truck system. This is applied in all the orders to assure the highest degree of transport efficiency.

And these tools are automatic and so don't depend on staff. An example of this is our tool called APT 2, the acronym, in Spanish, for automatic ordering tool. This system executes and sends 98 percent of our store orders automatically. And, of course, the same system is also available for our franchises. We have an industrial model which is constantly improved by means of innovation.

We will now show you our [unintelligible] in each stage of the chain. First I will start with our vision of the supplier relations. Our commitment is to develop collaboration with our suppliers in order to improve overall efficiency while we maintain optimum stock levels. To support this supply chain for our operation, we have worked on three lines. Increasing the level of information shared with suppliers we have created two websites called Diaworldtrade.com for international suppliers and Diasupplier.com for local suppliers.

When we started them, our business is clear cut with the main metrics of the supply chain. We also offer them the order forecast and other relevant information. We are already setting this information with all the suppliers in Diaworldtrade, and we have already started with, in the rest of the countries, with Diasupplier.

A supplier performance review has been standardized by creating a standard pack. That provides a format for supplier meetings and a do's and don'ts list. One of the main goals of these meetings is transport optimization from suppliers to Dia warehouses. For this you have several technical options, -- full truck point to point, transport multi-vehicle or multi-[unintelligible]. With these we achieve a full truck ratio for the Dia brand of 98 percent of our transport in Spain, 97 in France, and 99.5 in Portugal.

[Unintelligible] in the use of electronic interchange, which we use in other countries for our orders and invoicing, and across the board 80 percent of our orders are issued electronically with EDI order message, and almost 90 percent of our invoices with EDI invoice. This leads to a significant reduction in administrative cost and errors.

Moving on now to our warehouse operations, the key to being efficient in proximity is to bring the fast-moving items close to the stores. We have implemented this model in all countries with our standard flow warehouse. These warehouses have a size of 22,000 square meters, are multiproduct and only have fast-moving items and perishables, about 2,000 SKUs, which represent 94 percent of the cases prepared each day.

Today we have a net of 45 warehouses. The greatest distance from one store to the warehouse is 70 kilometers; less in the big cities, as we'll see later, which in our experience in logistics with other competitors is something outstanding.

But not all the items have a high rotation, and it was necessary to design and optimize a flow for the slow-moving items. This led to our central warehouse. This warehouse gives us efficiency by increasing overall productivity in terms of preparation. As the stores order fewer times the cases per store increase as does productivity.

Reducing the stock per product, we group items in a very limited number of warehouses. For example, in Spain, we produced half of these items in 18 flow warehouses, and now we have only in two. Freeing up space in flow warehouses gives us extra production capacity with the same logistics network.

Before I mentioned the importance of innovation in processes and the use of new technologies. We will now see two practical examples. In technology, we use the voice-speaking system in 100 percent of our warehouses for preparation tasks. This technology receives orders from the system and converts them into speech, bringing freedom of movement to the pickers and reducing preparation errors. The productivity of our pickers is over 200 cases picked per hour. According to the retailers benchmark of the Institute for Grocery Distribution, IED in the UK, is the retailer average is 120 cases picked per hour. In other words, our model is 70 percent faster than that of our competitors. In terms of innovation in processes, we have changed the picking layout of our warehouses with our system based on the rotation of items, the loading type and using dynamic racks, leading us to reduce the preparation part by almost 40 percent reduce productivity.

We have already mentioned that our network of flow warehouses allow us to reduce the average number of kilometers, and on the screen we can see the main cities of each country with the number of stores and the average distance from each referenced warehouse. These data shows why we're a proximity specialist.

However, for us it's not enough to bring warehouses closer to stores. We also continue to develop our own model with the single-truck system, which means that each store only receives a single truck with all the products, which simplifies the reception and staking process. To be able to do this, our trucks are multi-temperature, which allow us to send a truck to each store with all the merchandise required, and multi-store. This allows us to increase the number of deliveries per trip and the truck is always full when it leaves the warehouse.

But in our constant search for efficiency we have continued working on increasing the carrying capacity of our trucks. As a point of reference, our engineering department has developed the loading formats which you can see in this picture. This implies 15 percent increase in transport capacity in the same trucks and with the same cost and finally.

And finally, we reach the network of stores. Having low cost in our front office allows us to offer competitive prices to our customers.

The distinctive feature of DIA system versus other retailers is our multifunctional staff. Staff in our stores are trained to operate checkout, replenish shelves, help clients, clean the store, et cetera. This makes us more efficient when assigning tasks and limits the amount of staff per store.

But also the density of stores in the cities allow us to move resources through the network, reducing staff needs for each area. Nearby stores allow us to share staff accurately, adapting resources to our needs.

To support the system we are constantly working on removing complexity from the stores by automating and simplifying processes. We now take a look at the two most important tasks in the store. First, we have redesigned the check out payment process from scratch, ensuring maximum productivity for each element. 100 percent of DIA brand products have IAN multi-codes, latest-generation bi-optical scanner, simplified keyboard, which are fewer keys, which are also bigger, making the keyboard more intuitive, in-house software developed to allow the task to be overlapped, thus eliminating idle time, and especially designed checkout with 90-degree ergonomic work area. This system allows us to deal with four clients at the same time. Yes, I said four; it's not a mistake. While clients are looking for change or coupons, our task in process does not stop. As far as I can remember, in my extensive experience in retail I have ever never seen anything like this.

In terms of replenishment, I only want to highlight that 100 percent of our DIA brand products are designed in packaging ready for sale. This packaging is prepared for minimum handling and optimal display and it's also efficient, as it uses the least amount of cardboard and plastic possible.

Items with higher rotation are placed directly on semi pallet which arrive directly prepared from the supplier, optimizing display and productivity. The key is not to touch the product.

However, our drive for efficiency goes beyond that. We are the first retailer to fully change our store lighting to LED lights. We have invested over €10 million in this project which will be recovered with savings in less than two years. This project includes the requirements we are looking. Energy consumption is drastically reduced, simple installation and we maintain our current lighting quality. We have finished placing 360,000 tubes. This is the largest LED project implemented by a retailer in Europe. The project has been already standard to Turkey and Portugal, and we are in an analysis phase in France and Brazil.

In summary, the three characteristics which set us apart are first, our network of flow warehouses, which allow us to bring fast-moving items closer to the stores which reduce costs structurally; our store network and multifunctional personnel which generate economies of scale; and our operating model is proprietary and in constant development through innovation so it's not possible to easily replicate it.

In other words, we have a model which is adapted to proximity and which we are proud of. And we are proud because in the last few years the results confirm that we are moving in the right direction. Despite rising fuel prices, in the last five years we have reduced logistic cost on net sales by 10.6 percent, which shows the consistency and sustainability of our model.

Many thanks for your attention and I now hand you over to Antonio Coto.

Franchise: a key differentiation feature in proximity by Antonio Coto DIA Executive Director LatAm & Partnership

Antonio Coto DIA Executive Director LatAm & Partnership: Good morning, everybody. Surprising you're still awake after so many numbers.

Well, as you know, I'm Antonio Coto, and I'm responsible for Latin America and Partnership.

I would like to start talking about the germane convictions and why we consider franchising to be one of the key elements in DIA strategy. Afterward, I'm going to develop these ideas, and finally if you are so excited that you would become a franchisee, I will be available after during the break to give you some additional tips.

Our first conviction is that franchising is the best way to run proximity stores. Our second conviction is that to be successful in franchising, an integrated retailer must go through a long journey. It is impossible to go through awe fast track, it is a very long road. And lastly, franchising in DIA is one of our main competitive advantages, because, contrary to food retail where everything can be mimicked quickly -- store layout, assortment, promotion, among others -- the franchise formula appears extremely simple but is extremely difficult to be copied.

But before I continue, I would like to talk to you about the story of franchising in DIA. If you didn't know, before being a retailer DIA was born in Spain as a wholesaler, selling groceries to small supermarkets. DIA provided the best customers with store-brand name, Shopi, and leaflets with some products in promotion. This way, clients had incentive to carry, at least, those promoted products in their stores.

Getting clients to pay was extremely difficult and the debt grew like snowball. So DIA then opened its own stores under the name "Dia" in order to increase volume without the risk of not being paid. They eventually sold the wholesale business and kept their own stores.

In 1988 DIA asked me to look into entering the wholesale business again in small rural areas where DIA would normally not open stores because of the low population. After analyzing the project, three days before my final presentation, my conclusions were very simple. First, there was no way we should return to wholesaling, as we have oriented our business to hard discount.

Second, franchising could be an alternative to wholesaling, but we shouldn't franchise in small towns; if we couldn't be profitable in low-potential areas, knowing how to operate the business, I could not imagine somebody else, a nonexpert, doing it. My recommendation was to test franchising but only in high-potential areas where we would have room to share the profit after having to pay the inefficiencies of having somebody in the middle.

The conclusions I had made were the same someone else would have made without knowing really well the business.

Luckily, two days before my final presentation I had the chance to visit a previous Shopi client. It was a small store, 100 square meters, located in a small town of 2,000 inhabitants called Mentrida, run by a couple with two children.

When we arrived, the couple showed me the store and invited us to their home, which was just one flight of stairs above the store. And who would tend to the store while we were upstairs? Their 13-year-old daughter, of course. They never went on holidays because they couldn't close the store for a season. They also operated longer hours than Dia. I mean, with that commute, would who wouldn't? I asked about their finances and came to find out that it was a cash-based business. They didn't register depreciation and amortization. Since nobody [unintelligible], they didn't know how much inventory they had; they only made sure that the shelves were full, and if something was going to expire, they consumed it beforehand.

They had no personal cost. Even though they were working longer hours, it was just him and his wife and, during peak hours, their kids help.

Their registered costs were much lower than ours. I asked them about their investment and capex criteria and they said that adding a freezer or making their store nicer was like decorating their house -- it was the place where they lived. "I don't have to think about buying a sofa or a new TV," she told me, "if I have money, I buy it to enjoy the place with my family and my friends. It is the same for the store." Because in fact, the store was his house.

I came back to the office and in the remaining two days I completely remade my presentation. The new headlines were "Big Opportunity in Franchising in Rural Areas." We can sell more than in our current business model, we can deliver a nicer shopping experience to our customers, we can be an even lower-cost operator.

We wanted to open six test stores between new openings and transformation of existing supermarkets. I had imagined that the most difficult part would be to find valid candidates that accepted to be part of a test, the easy part would be to define a business model and a protected contract, and the effortless part, I thought, would be to align the organization behind the project, since I already had the strong commitment of the top management.

I was wrong on all three counts. The learning process started with our first franchisee, in Tarancón, 80 kilometers from Madrid. At that time, for example, we didn't sell bottled water at DIA since in Madrid, maybe you know, the tap water is excellent.

The store owner refused to sign into franchising unless he could sell local bottled water and other essential regional products. Naturally, I made a proposition to our commercial department to include these products in our assortment, but the answer was no because, of course, they considered the assortment to be perfect.

So then I proposed that he sell the product through his own means and not through our system, and this created an uproar. Our brand would lose its image if there were ten additional products in the store. How silly it is.

We learned a lot from this first transformation, and a lot has changed since then. Now, of course, all franchisees have a short list of additional regional products that they can sell in addition to our standard assortment.

Another issue we faced was when there was a scarce stock in the warehouse. Who should the warehouse prioritize? Our own stores, of course; we have to protect what is ours. This may be a natural inclination, but a franchisee is a client, too. We made a promise to him and we have to keep our promise. The franchisee has to be good and pampered, and it was a long journey before the organization came to terms with this.

At the time, we also faced a problem from our expansion department which felt threatened by this new project, so they boycotted the negotiations by either trying to rent possible sites first or making sure its price would rise. To solve this issue, we tried every organizational thing we could imagine. We first tried divide the territory between owned and franchised stores, no conflict at all. After, we tried placing both departments under one head, but this was low down, franchise expansion, as opening own store was easier.

And as franchising grew, they needed new staff and they received the worst people of the organization. The problems really were endless, but there the worst was when we had to transform and operate a Dia store into a franchise. It was like losing an arm. Everything was a perfect excuse to explain that regardless of the immense profitability it was not worth it to dedicate so much time to solve so many conflicts.

Do you think that stupidity is unique to DIA? I don't think so. The process we went through is the same any other company would have gone through, and what gives us an advantage is that we have already passed that stage. We have already overcome all these obstacles. Most successful franchising companies -- restaurants, for example -- were born as franchises, as franchisor, because the big dream of the founder didn't match the depth of their pockets. Invariably, they understood that franchising was the only alternative to their success. Franchising is in their genes.

However, for an integrated retailer, franchising is not in their genes. It needs a gene transplant, which today, with state-of-the-art biology, is not something easily done. Now DIA, after so many years of difficult effort is a company that has integrated franchising in our culture and we've kept an impressive track record of success. We have not arrived to our destination, it is still a work in progress, but we know that the hard part is behind us.

Most of you probably know the three operating models through which we manage stores, which depends on who owns the store and who operates it. The co-co model is our company-owned, company-operated stores; the second model, fo-fo, or franchise-owned, franchise-operated, stores is our traditional franchise format; and the co-fo, or company-owned, franchise-operated stores, is a combination of the previous two. Under this format, DIA sits a portion of its commercial margin and it transfers most of the costs associated with the store, but DIA keeps control of the site, minimizing the risk of losing it.

Both DIA and the franchisee play key roles in the formula, bringing the best of both worlds. DIA provides a profitable business model for both parts, a strong band strategy with a winning commercial proposition, and constant innovation and operations to run the store in a very efficient way, as Julián explained before.

On the other hand, the franchisee is also able to offer DIA a great deal as well. A store manager of ours, as much as we try to motivate him, will always feel like just one of the many store managers that we have. But in the case of the franchisee, he feels exactly what he is -- the owner of his store, his business. So his motivation is unique.

I remember a franchisee I visited who had on his business card his name and his position, chairman and CEO. When we had a problem with the company-owned stores, the management will make a PowerPoint presentation to explain all possible reasons as to why the store isn't working properly. When the franchise has problems, the franchisee will work day and night to solve it, because he focuses 100 percent on result.

Another asset franchises hold is the employee commitment. The size of a nuclear family tends to be enough to manage a store, though some employees may also help out. These employees are much more motivated than those in a big corporation because they become almost part of the family and this creates an entire team of high performance. Our customers, the franchisee achieve a bond with his customer and is more attentive to his needs. Many get to know the customers by name, their tastes and their habits. No loyalty card will ever be able to gain that knowledge, not even ours, of our customer to serve them better, as they deserve. This relationship with the customer allows the franchisee to offer them a unique shopping experience.

His loyalty to our brand is also something that grows with the time. What starts as a commercial relationship with DIA, develops into a real passion for our brand, one that they hold close to their heart. They are our best ambassadors.

In the same location, with the same commercial proposition, the average franchisee usually is more profitable than its company-owned counterpart. Additionally, franchisees can be profitable in areas where our owned stores wouldn't profit at all, so this really extends the limit for expansion.

A franchisee is not only able to increase sales and improve productivity, but he also has more flexibility to manage other operation costs. For example, managing shrinkage. In distribution, it is always said that one-third of shrinkage is generated by personnel, one-third by administrative error and one-third by theft. A franchisee, since he is his own boss, doesn't have internal shrinkage. He also has minimal security cost since he's from the neighborhood and robbers rarely steal from their own neighbors. Maintenance costs are also decreased, since he usually manages small repairs, while in our case we have to send an external maintenance company just to change a light bulb.

As a consequence of the increasing sales and reduction of costs, the resulting EBIT is greater than in our own stores, allowing us not only to acknowledge the franchisee's profit but also to improve our EBIT.

Many of you are probably wondering, if franchising is an ideal model to manage proximity store, why have owned ones? And the answer is very simple. Owned stores are necessary to ensure a guarantee a healthy franchise with long-term success. Owned stores are essential to generate credibility as franchisor. They are visible proof of the products we sell.

Being committed to the business is an incentive to us to invest and develop better systems and technology and in this way permanently increase our store know-how. They serve as a lab where we are able to test different ideas, and only the most beneficial ones are replicated in the whole net of stores, like perishables, DIA Market, DIA Fresh, Maxi, among others.

In owned stores, we are able to develop themes with operating experience things fundamental our constant innovation. Additionally, they are a permanent source for franchises.

Now that we know that franchising is the format that better suits proximity stores and that owner stores are essential for the survival of franchise in the long term, the following question arises: What is the ideal combination between owned stores and franchises? Well, open your ears, because I don't have the answer.

Currently, franchise represent 41 percent of our total stores, and we will continue to increase this percentage [unintelligible] while we feel comfortable doing so. We will advance at an optimized speed to get things done without losing control.

Since that first franchise that we opened 23 years ago, we have been on this journey not only in Spain but in all of our countries. We have had hit and misses along the way but nobody can deny that the experience of 81 collective years among the countries is not a valuable asset. In all of this we have been successful when launching our international model, something not too common in food retail franchising.

And what about competition? The journey so far allows DIA to have a competitive advantage today against the prospective wholesaler and retailers that want to develop a franchise. And what do I base this on? Well, let's look at the difficulties the wholesaler in cash and carries have to develop franchises. They don't have a track record to sustain them and give them credibility as franchiser. Since they don't have stores, they don't have the relevant know-how in marketing or operational excellence. They have trouble creating the bonds with their customers that go beyond promotions, bonds that are very weak and easily broken. And let's not ignore that what some people call franchise are many times just a client with a sticker on their face, like DIA had with Shopi 30 years ago.

Integrated retailers also have difficulties becoming successful franchisors. Success in this business cannot be copied easily by just following a recipe. In DIA's journey, our organization was not our main barrier, but also was our main competitor, and when the enemy is inside, any excuse is valid to not make the effort, even with all the potential profit. In order to become successfully a franchise company, it is necessary to develop dramatic cultural changes in the company that undoubtedly takes time.

It is necessary to overcome the same preconceptions we had at the very beginning. If we are experts and we can make a store profitable, why can't someone else with less experience make it work? If an owned store is profitable, it's not necessary to give it to a third party to manage it; the only thing we'll manage is to lose control over it and to share profits.

Managers of integrated stores that think like this are afraid that if they put someone else that can do it better, people are going to think they were incompetent running their stores. And I can assure you, they are not going to make it easy for transformation to be successful. To make things worse, these people are usually essential in the organization, since they're the ones that have the store know-how.

Even a successful franchiser in a given country has difficulty exporting the know-how. Evidence of this are those French companies who have a good, I would say extremely good franchise formula in their country of origin, but either fail or don't even try to internationalize their franchise. Franchise management that can be internationalized, as ours is, is also based on the hits and misses learned along the way, and the know-how is built the hard way, through experience.

In the food retail segment, DIA is the No. 1 franchiser in Spain and in Portugal, the fifth in France, and the third in all Europe. In our emerging countries -- Argentina, Brazil, turkey and China -- DIA is the not just the only franchiser in food retail, but also an important player in the franchising sector in general.

This supports that although we know that the journey is permanent and we still have yet to reach our destination, the road we have traveled so far has been a successful one.

Throughout the last three years we have increased the number of franchises 46 percent, which support, we believe, about the benefits of this format to manage proximity of stores. What in 2010 represented 31 percent of our total stores, now reaches approximately 41 percent. During this period, sales generated by franchise increased so now it represents almost 30 percent of our total stores -- total sales, when it previously represented just 22 percent.

So now what? What are the next steps in this journey we are in? Well, we are going to continue [unintelligible] in opening new franchise stores, both co-co's and fo-fo's, in countries in which we are currently operating. We are not going to give a figure of how many transformations we'll make in the next few years, but having franchises represent over 50 percent of our total stores is a number that we definitely feel very comfortable with.

We are also looking into expanding in new regions of the countries we are already present, with a formula of master franchising. In this last month, we have opened alongside master franchiser our first DIA store in Salta, a province in northeast Argentina, 1,500 kilometers from Buenos Aires, and in Martinique and Guadeloupe, in the French Caribbean.

We are adjusting the details of the formula as we learn from experience. It is a test, and according to results, we will be able to study the possibility of including it as a new formula for future expansion in remote regions of existing countries. Or maybe, if we want to dream -- and I repeat, that is only a dream -- we can even use it to expand into new countries.

As you can see, the present is solid and the future is full of opportunity. Thank you very much.

I forgot because if I do not advertise this my team will kill me, so, you know, in franchising there are two sides, like an analyst you can be on the buy side or the sell side, so if you are very interested in becoming a franchisee, outside you can find some application forms, just to start the process, or if you prefer to be a franchiser, the only thing you have to do is to buy DIA shares.

So thank you very much.

Q&A Session

David Peña, DIA Head of Investors Relations: At this point in time we are starting with the first Q&A session. I beg you, please, to introduce yourself and the company you represent when making your questions.

So please, Edouard.

Question: Edouard Aubin from Morgan Stanley: Ricardo, I have two questions for you, one about your optimization, and the second one on sales density in Spain.

On portfolio optimization, just to clarify what you said earlier on China and Turkey, on China you mentioned that your expansion would be largely confined to Shanghai, so could you consider withdrawing from the Beijing market or not?

On Turkey, you also mentioned that you will next month reassess your prospects in the country. So are you just talking about store openings or could you study strategic alternatives in this county and potentially withdraw?

And my last question, and sorry to be a little bit long, but your sales density, when I look at rankings in Spain -- I know you don't like to talk about the topic, but when I look at rankings in Spain I think your sales density are €3,000 roughly for DIA in Spain, I think Lidl is around €5,000 per year, and I think Mercadona is around €9,000 per year. So if you were just to narrow the gap with, say, Lidl, there is tremendous opportunity for you in terms of profitability, how do you explain the difference in terms of sales productivity and to what extent could you narrow this gap and under what time frame?

Ricardo Currás, DIA CEO: Thank you for the questions.

Well, I will answer to the first question. I think I was quite clear in my statement about China and Turkey. What I said in China is that we are going to focus on Shanghai, which means that we have to see what we are going to do in Beijing because it's true that in Beijing we are losing market share, as in Shanghai we're gaining market share.

Our model is well adapted in the case of Shanghai. We are No. 1 in proximity in Shanghai while we are not in Beijing, and there are other models working better than ours in Beijing with bigger stores. So you know that this is a question that has been always on the table, what will we do in China, and the answer is already given. We will invest in Shanghai and we will see what we can do in Beijing, and so we have all the alternatives open in Beijing. We are working on it.

Turkey. Turkey, I don't like what I'm going to say but it is true. You know that I am a matematician always say it, and I don't believe irrationality of markets. I don't believe in that because I think that finally market must be rational. But it is true, it is true, it is surprising that the franchise, in the case of Antonio when it changed everything, and this is also me, when I see what is happening in Turkey. In Turkey, the market is getting very irrational. When you see how many stores are opened by people who say that they don't know if they are going to be profitable in many cases, and they don't know in how many years they will be profitable, that's scary.

When you see that competition in prices is getting tougher and tougher, it's also scary, but it is happening also in some other parts. What is not happening at the same time is this competition, tough competition in pricing and irrational expansion, which is the aggregate that you see in Turkey.

In that circumstance, as you know, we are committed, as I said in my presentation, to profitable growth. Not to grow, but profitable growth, we have to assess the right to be in Turkey, and that's what we will think about and we will work on in the next months.

And finally, Spain. Let me tell you something very striking. I am not at all worried about our sales density in Spain. Why? When you look at our numbers, and that's something that has been also -- I remember very well that most of our discussions about Spain, sustainability and strength of our business in Spain, was about sales density. Why? Because finally you think, and you are true in your thinking, that in many companies sales density equals to better profitability. And it is true with a lot of companies.

But I think there is not only this way. You have other ways to do things. When you are in the proximity business and you want to densify, it is very difficult at the same time to have a very high sales density. It's very difficult. Why? Because with proximity you are being closer to the customer, and closer to the customer means something that you will have another store very close that will cannibalize your owned store, which is closer to the customer.

So what do you do to make the good economics in that? First of all, having a very efficient supply chain, as we have seen, because otherwise it is not possible, you maybe have not seen but it is very important when you are 30 kilometers, 40 kilometers for the main places we are, we are doing our business, this is key for our profitability.

But this is not the only key, the other key is that you can have better gross margins in proximity, and that's what we are doing because our pricing is not exactly the same everywhere. If we are close to one of our toughest competitors, we have very tough prices; if we are less close to these competitors in proximity, we have less tough prices which in the end means we have better gross margins in proximity and that we are obtaining our profitability in these stores not only by sales density, which is also important for us because we want to continue improving our like for like, and that's why we are investing, every year, more, and this year I've just presented almost €120 million in format, in constant format upgrading, because this is the way to increase our like for like. But the way of increasing our like for like in this model is not by reducing our gross margin. It is not necessary.

And when you look at the situation now in Spain, let's look at facts, what I said before. Today in Spain we are close to being No. 2 in market share. We are not yet No. 2, but I'm pretty sure that in one year, maximum two years we will be No. 2 in the Spanish market in market share.

Second, we have the highest, the highest margins in Spain, the highest margins in Spain, and we will be growing faster than anyone in the next two years because of the new stores, because of the new formats, and with our sales density.

So at the end of the day, what it shows is that you can have a good performance, a very good performance, an extraordinary performance without having the higher sales density of the country, which doesn't mean that we are not worried our like for like because we want to improve our like for like.

And let me give you another example because from my point of view it's very clear. It's not about Spain, it's about Portugal. Look at Portugal. Portugal is a very tough market today. You know very well, probably, the Portuguese competition landscape with Sonae and Jeronimo Martins as the leaders, clear leaders of the market. And do you think that Pingo Doce is about business? I don't think so. I think they're doing an extremely fantastic work in Portugal.

Well, look at the numbers. Have they better like for like than we have in Portugal? Not much. What is happening with their margins, with their gross margins? Look at them. What is happening with ours? We are maintaining them. So at the end, what I mean is that even in tough environments you have not only one possibility, you have more possibilities. We are always looking for the second possibilities.

Question: I would like to talk about the targets. I understand you don't want and perhaps don't know yet what would be the optimal level, but you had a target, initial target to get 40 percent by 2013. You are already there. Can you just tell me the time period for the next three years, could you get to 50 percent? That is the first question.

The second one, which is related to that, how come you cannot accelerate the transfer of franchisee in France, what are the difficulties, perhaps, to get new franchisees? Thank you.

Antonio Coto, DIA Executive Director LatAm & Partnership: I will take the question.

As I said in my presentation, we consider franchising to be a journey, and what we want is to do it good. And to make a big transformation, you change a lot the culture and the internal organization. In the time from the time of the spin-off and a little bit even earlier from Ricardo being the CEO we accelerated a lot the transformation process of our store network. And we are very happy so far with the numbers we have, and we have seen in the next few years we can continue at approximately the same rate of transformation that we are doing now.

So 50 percent is something that we feel comfortable because in some countries we have more than 50 percent and we know that everything is fine, nothing is destroyed, it's very good. But we have to find a rhythm in which the new entrants to franchise are good, good valid candidates and it's not the first guy that is around the corner. So that's why if you can extrapolate what we have done in the past years, I think you have an approximate feel.

But we don't want to put a very tough objective, this should be the number, so everybody has to get the numbers no matter what the candidates. We prefer to have a good selection of candidates, but we are continuing to increase at the same speed, more or less.

And the second was the difficulties in France to having franchisees I think they're doing a good job in transforming owner store to franchise stores. It is true that the regional percentage was less, so to start the rhythm is completely different than in Spain, where we have more experience, a lot more franchisees, and this work is a little bit is difficult. You know, one franchisee recommends another one and this another one, and because they are happy, the other family comes to their business, and now we have to start this process in France. But in fact we are very happy with the transformation we already have and the rhythm we are already taking that is accelerating constantly.

Ricardo Currás, DIA CEO: If I can add something about franchise, we have just launched the DIA Fresh, we have just bought and it will be expected to be completed, this transaction, next year, Schlecker, and we have also a good business for franchise.

QUESTION: Good morning, all, it's Andrew Gwynne, from Exane- BNP.

Two questions, if I could. I understand today you have updated guidance for 2012, more tweaks, really, but I'm wondering if you have got any kind on the 2013 guidance that you sort of gave in the prospectus so forth, in particular in there maybe store openings, because that seems to be the biggest revision that you have made.

On the capital commitment, as well as the franchisees, as you shift towards that model, could you just give us an idea of what that is and whether or not that's a barrier to moving towards that model? So in particular, if the capital is hard to find in

Spain, perhaps.

Amando Sánchez Falcón, CCO: Good morning, Andrew. I will take your questions.

Regarding the guidance update, I think we have posted on our website, on the CNMV, what we are going to explain later on, so I will leave, if you wish, talk about later on in my presentation.

Regarding the progress and the difficulties of financing for franchisees, obviously in countries like Spain or Portugal, maybe, where access to financing has become a major issue, not for our franchisees but for any business, we have put measures in place, and you have probably seen that across the last few quarters where we have somehow extended additional credit, although a very limited amount, when you look at the global numbers to our franchisees. So we are helping franchisees to -- the initial fill of the stock or the financing of equipment. We are working alongside several leading banks and institutions in Spain to help franchisees obtain the adequate financing.

The good news on that side is that the risk that we're taking is something we know very well, it's not that the franchisee selects wherever and however to open stores, but it's as, Antonio explained in his presentation, a process we work on and we develop together with our franchisees. We select and we agree on the point and, obviously, it's a very well-controlled risk, and what we are financing is only equipment and the Dia stock.

So, of course, that is becoming an issue but we have taken the measures and we are succeeding, and I think that, if anything, it places us in a good situation to compete for the good candidates, for the good franchisees, as DIA is willing to provide and help them get the business started.

QUESTION: Mateo Scolari, Eaton Park. I have a question on Brazil. I think you showed earlier a slide illustrating kind of your strategy for going into new regions, and I have a question on profitability. The profitability at the moment in Brazil is lower than the group, and I understand it's the depressed by the pace of expansion. Where do you see profitability for Brazil going in the long term?

Antonio Coto, DIA Executive Director LatAm & Partnership: Well, as you mentioned before, the profitability in Brazil has two components, one is the old base, of the stable base, and then the new expansion.

I think Brazil in the long term is going to be a country as profitable in mature economies. But now we have to make a strategic decision, and we made it already, whether to make a cash cow in a small center of São Paulo and make it very profitable, or to expand, even if it's São Paulo. São Paulo is a state that is half of Spain in extension, in population, and we started in the center of São Paulo and now we have a store 600 kilometers from São Paulo, it's like from here to Cadiz. So even if we call it the same region, its different regions where we are not known, we have to develop our brand awareness and after we are opening the region in Porto Allegre do Sul is to start a warehouse. At the very beginning you have warehouse and one store; after you start growing up the stores.

So our base in São Paulo is very, very solid. We feel very, very confident with the business model there. When we went to Rio Grande do Sul we felt that the sales density is more than we expected similar to São Paulo, and not lower like it would be normally in a place that we were completely unknown. So it's just a matter of timing investment. And our strategy is very clear, it is that we are going to accelerate as much as possible maintaining the percentage of profitability; the rest we are going to invest in store expansion. But the model we have in São Paulo and that we are starting very fine in southern Brazil is really a very, very sound business model.

Question: Good morning. This is Sreedhar Mahamkali, from Macquarie.

Ricardo, I just wanted to clarify one of the comments you made in your prepared remarks. You talked about France and rolling out a new model there and investing 100 basis points, and you seem to be very confident about recovering that, [unintelligible] backed by sales recovery and margins. Why are you confident, first of all, that the [unintelligible] will be recovered? What results have you seen in DIA Maxi and other countries?

And for 2013, at least, do you think we should actually starting thinking is 100 basis points lower margin in France before it starts to pick up in later years? How should we think about your margin comment?

Ricardo Currás, DIA CEO: Well, you know that one thing that -- let me make -- first of all, let me say something which you would probably understand well. You know that we have a lot of pressure on France to reverse, like for like, not today, okay, from two years ago. And you have seen that we have not changed our main strategy, even in France with all this pressure. For us it would have been not easy but having good results in other places, starting to invest more in the French market in terms of prices in order to -- well, not to have such a good EBITA, probably, but having better like for likes and being to date saying we're going out of our situation because our like for likes are increasing. You will see in the future we will be able to develop, also, EBITA, and we didn't.

So why didn't we do that? It's because we were stupid as we went into franchise, we decided to do things in the other way? No. It's because we don't think this is the way to recover like for like. We don't think that the way to recover consistently like for like in time is just putting more price pressure on the market, because it never works. I've said it many times, I've never seen such a thing working. Never. You never recover back your investment, never.

So what we did in the French market was, first, we have 100 percent of our stores which are not anymore underinvested, and that's key, because if you have an underinvested network you can do nothing. In an underinvested network, whatever you do is not working. So first we have now in position a good, modern network. Second, our cost reductions in France have been amazing, amazing. With a very difficult situation we have been able to apply all our cost efficiencies and now we have a very efficient business unit in France.

We have, at the same time, increased the participation of the franchise system which is also key for the profitability in the country as we have mentioned many times.

The problem -- and we have also started to negotiate together everything. "Everything" means all procurement today is done between Spain, France and Portugal, everything, 100 percent of procurement in private label, in national brands and in whatever you have, it's done together. So we have improved our buying conditions in France, also, because we didn't have good buying conditions with Carrefour, and we still have room to improve the buying conditions in France. And this part has been invested in prices, but it has not been enough because you know that the French market is really tough in terms of competition, and you see, you know what is happening with the margins of most of our retailers. I will not repeat because it's the same story for many quarters.

So what do we believe in? We believe in change in the commercial proposition. That's what we believe. And we have been working in the last four or five months to put together everything that has worked properly in Spain, in Portugal, in Argentina and even in France, because we have been testing in some stores in France different parts of this proposition. And now we are going to put everything together.

I assure you that the commercial proposition will change dramatically, not only in terms of promotion and price, not specially in terms of promotion and price, but the categories we are working on, the assortment that we are, even the way in which we will display all that, and once again this has been tested.

When you look at our numbers in Spain in 2012, in attraction stores, they are very good, we are having very good like for likes. And I assure you that most of our Spanish competitors with attraction stores are going down in terms of like for like because people don't want to go to attraction stores. In our case it's because of the change in model from Maxi 1 to Maxi 2. It has worked in Spain, it is working in Argentina, it is working even in Portugal with a difficult situation.

We think we have put everything in the same box, we have put all the good ideas we have and, of course, we are going to invest also in prices 100 basic points, specifically in the new promotion way. We know because we have done a lot of numbers, a lot of tests that we will recover half of this with the mix, and the other part will come from sales. We feel comfortable with that, but we will see. We will start next month and in two, three months we will have four or five stores and we will see. We will tell you.

Question: Filipe Rosa from Spirito Santo, Good morning, Two questions. The first one on franchisees, you have given us the weight of franchisees in terms of number of stores, in terms of sales. Could you provide us some color in terms of your EBITDA, what is the current rate of the franchising model for EBITDA?

And my second question, sorry to come back to France, but I remember like one year and a half ago you were in the middle of €200 million cap-ex plan, you were targeting sales [unintelligible], now you are going to start this Maxi 2 upgrade again. What makes you think that attraction stores in France in the situation of the market is going to work because you have 80 percent of sales in attraction stores, why do you think this time it will work? Sorry to come back to that.

Ricardo Currás, DIA CEO: No problem. I imagined that you'd have a lot of questions of France. It's normal. I understand it perfectly.

The first question is about franchise, we have never disclosed this data. We will not do it today. I'm sorry. The only thing that I assure you, we assure you is that we tried -- you know that we have a process, internal process in which we try to have a fo-fo, a co-fo or a co-co store, and this is a lot depending on profitability. Whenever we see room for improvement in profitability in a co-co store, immediately we transfer it into a co-fo.

So maybe it's a way to explain, but of course we are trying not only to expand faster, not only to have a very good model, the best model for proximity with a franchise, but also to have an optimized profitability with the different formats we have.

In some cases, it is not true. That's why we don't say we are going to have 100 percent of our stores in the co-fo or fo-fo models. Otherwise we wouldn't say in some cases it is better to maintain the co-co store and not to transfer it into the co-fo, but we are not disclosing that.

The second question is again about France. You are right, we have done a long journey and we have given, of course, a lot of explanations about France. The journey in France, I've always said that was not going to be easy. You're right, attraction formats, which is, by the way, the most important format in France, proximity is less important in France, you cannot have proximity everywhere in France -- it would be nice but you cannot have it because of the geography of the country. You can have proximity in Paris, and we are doing extremely well in Paris; our like for like is going up, our profitability is increasing very fast in Paris. We would like to have more stores in Paris, and we will, and we are trying to do that.

But the reality is that in France we need to have also a good attraction format. We need to have it. And I think today we are in the best situation to be able to have good news with Maxi 2, because once again we have the right situation of the company in terms of cost efficiency, in terms of investment in the store, we have invested a lot of money in the stores to have not underinvested stores which we had in the past, and we know because we have tested all these things that we are going to put together, and there are many things that we are going to put together in the store. We have tested them and they have given very good sales uplift.

But let me give you some data not of what I am saying but you have heard, probably, and you have seen, maybe, some of our competitors, saying that we will not be anymore the hard discounter and when you look at what he's doing, he's doing half of what we are going to do in the new model. And it is working, it seems.

David Peña, DIA Head of Investor Relations: We only have time for one question. We not only want to deliver results, but also an agenda, so it is time for the coffee break. So next question.

Question: Yes, good morning. I am José Rito from BPI. The question on France, I saw in the presentation that you are saying that the conversion for the Maxi 2 implies low cap-ex. You have invested for the last two or three years, I think, more than €100 million.

Just so I have the sensibility of what would be the cap-ex for the next year with these conversions to Dia Maxi 2. That's my first question.

The second question is related to mass franchising in Argentina. Just so I have a little more sensibility in these massive franchises, if the economics of this new agreement is more or less the same in terms of margins for DIA as the franchising operations that you have in other countries?

Ricardo Currás, DIA CEO: Well, I will speak about France and then give floor to Antonio to answer your question about master franchise.

Cap-ex in France, you have seen it in the presentations, have already, will already diminish strongly this year compared to the previous year because we were getting to the end of the transformation plan, and of course we do not pretend, we do not intend to continue investing in the stores in terms of cap-ex. This is already done. We have already invested, fully invested stores.

Of course, we have, probably, to build our in-store bakery, but it is nothing in terms of cap-ex. We will also have to add some refrigerators for the frozen meat, but it is nothing in terms of cap-ex. So next year we are again reducing the cap-ex compared to this year in France. We will have less cap-ex in France next year, even if we start, we develop this project of transforming the stores into the new model.

Antonio Coto, DIA Executive Director LatAm & Partnership: And about the master franchisor that we have been opening, as I told you, it was two different tests and in two different completely different environments. One of them is in Argentina. In Argentina we can provide the full assortment, we have all the teams there, we know customers. The only thing is that it's far away, it's 1,500 kilometers from where we are now.

So basically I'm not going to enter, of course, into the details of the contract, but the philosophy is very similar to the franchising that we have, only that the master franchiser has to search for local candidates in franchising, have to make the supervision, and have to run the warehouse, et cetera. But the philosophy is absolutely the same.

In Martinique and Guadeloupe, one of you yesterday said to me, "I know why nobody there earns money and now one of the French companies," so we are going there definitely to earn money because it's different and it's based on a fee and selling our own private label because, as you know, Martinique and Guadeloupe are part of the tom-tom -- I don't know if it's part of the tom or the tom -- but it's a department of France with the same legislation, et cetera, and we provide him most of the private label but the national brands are by him mainly. So it's a different model and we are testing both of them. We are going to see the results and after we will think what we are going to do in the future.

David Peña, DIA Head of Investor Relations: Thank you for your questions. I remind you that after the coffee break we will be back with the second session of how to grow in proximity. The session will be resumed at half past 10:00. Thank you.

Driving Like-for-Like sales growth by Juan Cubillo

Juan Cubillo, DIA Commercial Director: Good morning. My name is Juan Cubillo. I'm the commercial director of DIA Group. Together with my colleagues, Luis Martínez, DIA Spain commercial director and Miguel Guinea, DIA France commercial director, we are going to give you an insight into the commercial strategy of the DIA Group, in many cases using concrete examples of DIA Spain. You will see that one of the main aspects of our trade policy is that we are mainly retailers with regards to proximity and prices. This is the consequence of our origin and our philosophy of optimizing operating costs

To explain our growth in recent years are principally the following year. First, good development of our commercial models, together with investments in our stocks so that customers understand that our stocks are changing.

Second, the development of our commercial models is focused most of all on a perspective of the development of our commercial offer

And, third, we ensure that our price image involves positively and in consequence with the development of our business models and therefore our commercial offer

Let me start with the development of our commercial models. In this first part, I will talk about our business model and how we implement them in the different countries. Our model of proximity, DIA Market, is developed in the seven DIA countries. This model is located in center of cities and towns, where high frequency per child and low average basket. Our objective is to be the cheapest in the area of the store influence.

Our model of attraction, DIA Maxi, is well developed in France, in Spain, Portugal, Brazil and Argentina. These stores have large areas with car parts for low-frequency and high average basket. In terms of prices, we always maintain a level of aggressive prices, and in every case DIA Maxi is the most aggressive operator in each country.

What was the reason behind DIA market and the DIA Maxi projects? As you can see on the chart, the answer is very simple. Basically, when we don't do anything commercial in the stores, they suffer a sales resource effect. Money cannot simply be invested in the store for restructuring. Whenever we have done that, the economic model never works. It never justified the investments.

The commercial model has to evolve in parallel with the investments in the stores. When we manage to combine these two elements in the same project, we get good results in terms of sales and return on investments. It is important to understand how we work in the development of our commercial models. This process is similar for proximity and attraction. I will give you some examples of the development of commercial models in the case of Spain, but this process has been repeated in the same way in all DIA countries. For DIA Market, we started in 2005 with our traditional model of proximity DIA, focused on price and a basic assortment of fast-moving consumer goods

We place a very strong focus on the development, especially on perishables. It means that we have strongly improved our offer on fruits and vegetables, meat and chicken, and we have developed fresh bread and bakery products. Additionally, we improved the commercial proposal of FMCG in proximity categories like beauty care, sweet and savory, baby food, et cetera.

All these were undertaken while at the same time making an important investment in the store assets. It was evident in the age of our customers that we were changing our stores. We did not consider whether or not this category was legitimate for a hard discount. We took each step of the development asking ourself the question, how do we have to work this category to be the cheapest in the market? And as a result, we have a specific perishable product range in DIA with an industrial focus on cost optimization and reduction of shrinkage. The result of all this was spectacular in terms of customer acceptance. We had a very strong increase in new customers and, therefore, sales per store.

Beginning in 2009, a part of our store was already in the model DIA Market, and we needed to involve our business model to ensure the development on the like for like sales. Therefore, we involved our concept, DIA Maxi 2. We trade specialization and proximity. That means considering the possibility of increasing our perishable bulk sales, testing new concepts such as fresh fish, but overall with an industrial objective of cost rationalization.

In addition, we specialize in proximity through a specific assortment of fast-moving consumer goods, and we have developed a specific trade policy on price, promotion, loyalty program, et cetera. At that time the investment needs for our store were lower in the case of DIA Market 1, since the asset would match a better level than in 2005.

And the result, we're still very good, but not only in terms of sales, and we have improved our margins through sales growth in category with higher added value

As you will see, there are already a significant number of stores under the business model DIA Market 2, and this is a good time to start thinking about the next step. How about DIA Market 3? At the moment I'm not able to say anything with regard to that business model, but I believe that the new technologies will play a major role here.

In addition to the new technologies, we will have new categories. Why not a pharmacy or new services, perhaps parcel deliveries, finance services, certainly projects not present in discount operators. And you've seen the DIA development philosophy which is that we can efficiently distribute at a lower cost than our competitors.

The process following the development of our model is similar to the attraction as we have seen on proximity. I will not go in excessive detail explaining this process as it is similar to the [unintelligible], but I would like to focus on differentiating aspects with our business model of proximity.

In 2008, we took advantage in DIA Maxi of the success we previously had in DIA Market perishable. The big change came with DIA Maxi 2 in 2011. We now strongly differentiate the two business models from the commercial point of view. Fast-moving consumer goods developed a specific range with additional items, such as large format, this translated in a set of categories of attraction completely renovated in our stores, such as the pet food, baby universe, frozen foods, wine, et cetera.

We developed a promotional policy and a specific communication in the stores. We specialize in attraction from the point of view of price, promotion, loyalty programs and in-store product display, et cetera.

As in DIA Market, we have had some excellent results and we have made great progress in its implementation, and it is a good time to start considering the possibility of developing the new concept, DIA Maxi 3, in 2015.

These are the achievements of the business model for the entire group. In this graph you can see that all the countries are moving in the same direction, DIA Maxi and DIA Market, both in version 1 and 2.

Now my second point in my presentation, which is how do we accompany the evolution of the business model with the evolution of the commercial offer? We have talked amply about the changing assortment through the commercial model in projects. However, I would like to give some further quantitative information. It is necessary to emphasize the importance of perishables in our commercial offer, and also the specialization of the assortment for each type of store.

In attraction customer, has different needs to a proximity one. Not only in terms of the size of the formats, but also the role of perishables and fast-moving consumer goods.

The follow reflections are also for Spain but in many cases largely apply to other DIA countries. You cannot be a good proximity operator without offering a range of qualitative and competitive perishables. Furthermore, in the case of Spain, the perishable market represents more than 40 percent of the total market. DIA Spain historically didn't have a good market share in perishable products. However, now the perishable make up the core of the sales development in recent years and annual growth has risen two digits. We are now the second largest in Spain in fruits and vegetables, pork meat, chicken and bread.

Our ambition is to continue to grow at this rhythm, because despite being the second operator, our perishable market share is less than the market share that we have in the fast-moving consumer goods, so we are still having potential for improvement and we have brought our [unintelligible] up to a level similar to the rest of our perishable products.

Historically we have always had good results in FMCG, sales, market share and profitability. Despite the fact that the past growth has been important, we have to ensure that the future growth will be equally as important to further improve our purchasing condition, competitiveness and profitability.

We must focus on certain categories. We must especially continue to develop pet food, baby food, wines, spirits, cold meat, among other destination categories for our attraction, DIA Maxi, and at the same time we must focus on beauty care, baby products, ready-to-eat meals, especially for the commercial model of proximity DIA Market

Besides the product development, and the improvement of our commercial offer, we have some strategic projects for all DIA countries. I will not go too deep into these two projects now because, as I said before, they will be developed in more detail later by Luis and Miguel. I just want to remind you of the why of each of them in our business strategy. The private label, for its ability to improve the price image and the capacity to generate customer loyalty. If a person becomes an unconditional DIA brand customer, he will only find the products in a Dia shop. The loyalty program for the excellent results in customer proximity, and the possibility of improving our competitiveness without falling in a price war that would only reduce our profitability.

Before concluding my presentation, I would like to share some final thoughts with you and discuss the matter of price image and how we analyze this issue.

As we are in Spain, I will continue using the example of DIA Spain to illustrate the different reflection of price analysis. I would like to remind you that price image is [unintelligible] in our market positioning. As you can see from the chart, this is the price positioning of the two main groups of brands in Spain, the leader brands and the private label from retailers.

These are very significant difference in the level of selling prices of these two, two groups, more than 50 percent. Obviously, the higher weight of our brand, the better our price image will be. In this slide you can see the price positioning of DIA within the Spanish market. Source Kantar Worldpanel, 2012.

You can appreciate the Spanish aggressive price positioning. Besides being cheaper than the market average, we are cheaper than the biggest player in the Spanish market by 3 percent in national brands and 50 percent with the Dia brand. Doing the same analysis with respect to the second Spanish hard discount, we are 40 percent cheaper with regards to the private label. Kantar has not compared the national brands with DIA and the second hard discount because this second hard discount national brand assortment is too small

It is important to note that in addition to the level of price competitiveness in our store, we have our loyalty program. This program differs completely from that of our competitors due to the high level of the investments. This means that through our loyalty program, competitiveness is increasing without leading to price war and destroying margins. This subject will be dealt with in more detail later by Luis Martínez.

If we analyze what our price position in Spain, DIA, our internal data, we can see several things. First, there is a high degree of consistency between our internal data and the data that we can see as a result of market research. The above example of Kantar doesn't strongly disagree with our internal data on price positioning.

Second, we can confirm that DIA's successful competitiveness in Spain is the direct result of the price level of our DIA brand.

And, third, we develop our competitiveness over time, the development of the competitiveness over the time is very positive, an improvement in 2 percent in the period 2010-2012. This improvement has been possible thanks to an increase of the sales per store and the cost reduction program.

On the screen you can see the result of this aggressive price policy, which is our price image. We keep track on historical methodology of the price image that we have in Carrefour, through the "Service etude Carrefour."

Obviously, in 2012 our price image hasn't been tracked by Carrefour, but we commissioned this marketing study to Kantar Worldpanel for the seven DIA countries.

You can see what our price image is with the following formula. Percentage of customers who think we are the cheapest minus the percentage of customers who think we are the most expensive divided by our penetration in the market. In the case of Spain, we can see that historically we have shared price image leadership with the biggest player in the Spanish Market. But since April 2009, we have had the best price image in Spain.

I would like to conclude by leaving you an insight in our situation in other countries in terms of price image. The results are quite similar to those in Spain, which means we are also leaders in price image in Portugal, Brazil and Argentina. With regards to France, the best price image is for the hard discount operators. It's true that in the case of France the Dia brand has had just three years on the market and this makes it hard to lead the price image with so little time.

In summary, in the last seven years, we have made a huge evolution of our stores and their commercial offer, improving at the same time our price positioning and our price image.

Now it is my pleasure to leave the floor to Luis Martínez and Miguel Guinea who will talk to you about our two strategic projects for all the countries, the private label and the loyalty program.

Thank you for your attention.

Loyalty programme by Luis Martínez, Commercial Director DIA Spain

Luis Martínez, Commercial Director DIA Spain: Good morning. My name is Luis Martínez. I'm the commercial director of DIA in Spain. I'm a mathematician, too. After graduating in mathematics I started working in DIA 24 years ago in 1988. That demonstrates my loyalty to the company, and it's about loyalty that I would like to speak today.

The launch of the loyalty program at DIA was carried out a few years ago with the idea of innovating and differentiating ourselves from the competition. However, from the outset we're clear about the central objective of this loyalty program, to obtain buyer information on our clients in order to allow us to study their behavior over time in order to increase our like for like, developing new capacities in our traditional areas and developing our one-to-one marketing system for each client.

The main aim of this presentation is to explain these two aspects. Firstly, I'd like to briefly review the workings of the loyalty program. The reward system so that the client requests and uses our loyalty card has two levels.

In a first stage, direct discounts on a number of products in the range, and in a second stage, discounts through coupons, which begin several months after the launch, and which I will explain further on. In the direct discount system, card-holding clients have cheaper prices on over 300 SKUs than clients without cards. This is very adapted to DIA, as with a few products, some price reduction can almost always, in 80% of the baskets. So the card is automatically used by the client, and the card achieves a high level of penetration very quick.

The loyalty program has been entirely developed in-house by DIA, and works in exactly the same way in all countries. It started in 1998 in Spain, and was then gradually rolled out in Portugal in 2000, Argentina in 2006, France in 2010 and Turkey in 2011. This is a very successful program, as 28 million households in these countries have the card, representing 71 percent of our total sales. The program will soon be launched in the remaining two countries, in China 2013, and Brazil in the period 2013-2014.

I mentioned before that one of the main advantages is to use this large amount of information for the company's main functions. The first clear example is the use we make of it in the commercial area to optimize the assortment, and it has been key in developing the new commercial models in the last few years.

With the client information which allows us to determine the real client penetration in each of the categories of our assortment, the frequency with which they shop, and the amount they spend every time, we can select the families which are key for each of the models. In the example, we see that dairy products have much more penetration in proximity than in attraction, as they are key for our DIA Market assortment. And conversely, milk, soft drinks and detergents, as they are very important in our DIA Maxi assortment. We can also see that the penetration of fruit and vegetables is very high in proximity, so we have sales potential in DIA Fresh.

This reasoning carried out for each of the categories which make up the assortment allows us to precisely define the best commercial offer for each of the commercial models of DIA Market, DIA Maxi and DIA Fresh.

Another example of how the information is currently used is in the expansion area, as by combining the data with geographical localization tools we can precisely define the penetration by street block around the store, which allows us to determine microshare, depending on the number of minutes' walking distance from the stores, as seen in this chart, and improved the presentation of success in store openings.

Another example of how the information is currently used is in the Expansion area, as by combining the data with geographical localization tools, we can precisely define the penetration by street block around the store, which allows us to determine market share depending on the number of minutes' walking distance from the stores, as seen in this chart, and improve the percentage of success in store openings.

However, certainly the most important use we make of the loyalty program is the development of our one-to-one marketing system which allows us to propose individual actions to all our clients which are perfectly adapted to the buying profile of each household.

The advantages of this type of system are that the actions which are proposed are more developed individually to guarantee an increase in sales and profitability, and they are more efficient in these aspects than mass marketing actions, because, for example, one can avoid giving offers to clients who are not price sensitive.

Moreover, this system, which works from individual to individual, offers discounts which as they're not public, improve the competitiveness of our company in a very discreet way which is almost impossible for our competitors to copy and follow.

The communication system with clients is through the printing of coupons in the stores, which is very efficient. The mechanism is simple. When we decide on an action and the target client, we send this communication to the main store where the client tends to shop, and when they use their card, at that stage the coupon is printed.

This system has several advantages. The cost of the coupon is very low, which allows all types of clients to be contacted, as because it's a proximity service, the purchasing frequency is high, allowing for a mass system. In other words, it's a mass system of individual offers.

For a good understanding of how it works we'll see an example of a personalized offer. Suppose that we want to implement an action to develop sales in a brand's sausage category. To achieve this, we need to increase the average purchase of current buyers, or we need to gain new consumers in this category and we need to gain new consumers in this category.

The first step is to adapt the discount to each type of client. Gold clients in sausages -- that's to say, those that shop a lot at DIA -- have a 10 discount in the example, which is different from silver clients, average shopping volume, and bronze clients, low shopping volume, and, of course, different from non-shoppers, where the discount is 30 percent. High-volume clients benefit from more discounts, as they use coupons much more frequently.

The second stage is to adapt requirements to have access to the offers for each type of client, in order to guarantee that the actions are profitable.

In the example, the limit is three items for gold clients, two items for silver and bronze clients, in order to increase the average basket. However, non-shoppers have no limits, in order to help with their shopping.

The system is very versatile as it allows us to carry out a wide variety of actions with all types of personalized discounts imaginable for any type of client on any product range in any store and for specific periods.

Here are some examples. The most numerous coupons are those which promote the sale of producer brands, on which we work jointly with them, and which are normally financed. The example shows some of the actions carried out in Spain.

It is especially useful to accelerate the penetration of some innovation in the assortment, such as this example carried out in Turkey of a 30 percent discount on a range of ice creams. We also use them to accelerate penetration in private label categories, such as the example of the 20 percent discount in DIA brand detergents carried out in Portugal, or to develop strategic categories, such as this general coupon for the fruit and vegetables section in Argentina.

It also allows us to carry out actions focused on increasing the frequency and/or the average basket of low-volume clients, such as this action carried out in Spain, offering an interesting discount of €3 for purchases of over €18.

The system is so versatile that it allows actions to be directed to a specific stores, such as this action only carries out at DIA Fresh in Spain, or on a specific day, such as the type of actions carried out in France called “Jours de Folie," which are days with special discounts to attract low-volume clients. And this is also useful as a communication system, such as this action is aimed at informing clients with a high average basket about the introduction of a home delivery service for our specific store.

The results of the loyalty program are very good, which makes it a pillar of our price and promotion policy. The data backs this up. We print 1.5 million coupons a year in the five countries in which the program is present, with a very high acceptance rate among our clients, as 47 percent of them use coupons on a monthly basis. In 2012, we will be offering discounts worth €151.5 million, of which 90 percent are financed by our suppliers.

However, the most important result of all is that our clients use the coupons to obtain a large saving percentage in their purchases. For example, in Spain this represents a 6 percent monthly saving.

In other words, the loyalty program contributes in a decisive way to our leadership in terms of price image, as proven by the client surveys we carry out in all the countries in which we operate.

Moreover, it also allows us to work much more closely with our suppliers, as we work more intensely and together with them, sharing information on our clients' buying behavior in their categories, carrying out marketing actions and then analyzing the results. This has led to a significant increase in the promotional budgets allocated to DIA, because in addition to being a profitable investment, as we have seen, our suppliers are attracted by the discreet way in which we carry this out.

Finally, we are adding different communication channels with our clients. First, with our website where each client can check their purchase history and obtain special coupons.

Second, we send clients thousands of e-mails with personalized offers, and newsletters with our leaflets, and the Club Dia Magazine, which we publish three times a year, with a circulation of 700,000 copies.

And we are in the middle of developing the use of mobile phones to receive coupons, and we are developing applications for smart phones which allow for many more functionalities.

In summary, as I have mentioned throughout this presentation, the loyalty program is a fundamental instrument in DIA's strategy as it allows us to obtain client information which, in turn, allows us to improve sales growth and improve the efficiency of our expansion. It is very much adapted to our proximity function due to the purchase frequency of our clients, and it's easy to use with a very efficient cost. It is essential for a price image, and there is enormous potential to develop data mining in the online world.

Many thanks.

Private Label by Miguel Guinea, Commercial Director DIA France

Miguel Guinea, Commercial Director DIA France: Good morning, everyone. My name is Miguel Guinea. I am the French commercial director.

I joined DIA some 17 years ago so that's why I was not the chosen one to talk about loyalty because Luis has 21 years of experience in DIA. Well, I started working with Juan in the engineering department optimizing processes and purchases of private label, and most of my experience in DIA has been on the commercial department in various DIA countries like Spain, China and France, and I also work in operations managing the franchise in Spain.

I'm the lucky guy who is going to talk to you about our private label as a key for our success today and in the future. I will be giving you some key figures about private label in the world, and also present with our private label figures in DIA, as well as going into details on how private label is at the core of our group strategy.

We will be looking at the development processes, client perception and our constant search for operating improvements through processes and the product itself.

With private label in the world today, and this is the question, in the world that we live today we are constantly surrounded by words like "recession," "unemployment," "risk premium," "tax increases," and all these negative concepts don't help with consumption. All sectors of industries are affected by these circumstances with no exception, without exception. However, in this negative environment, DIA finds itself in one of the few sectors, not to say the only one, food distribution, which has been less affected.

We have never been better prepared to face these kind of situation and we consider it an opportunity. As Juan said earlier, we have achieved the best price image in the majority of the countries that we are based in. We have transformed most of our shops from the old formats to DIA Maxi and DIA Market, and we are even improving these formats already on the second phase.

We are a cost efficient company. We are constantly looking to improve these processes and, most importantly, we have the most powerful private label in the market today with the best price and quality ratio. And the most important part of it is that the clients appreciate it.

When we talk about private label, a lot of people think that private label, we're referring to lesser quality products or that they're only bought by lower income groups. But interestingly enough, when we look at the chart, the country with the highest private label percentage is Switzerland, with more than 45 percent of the total sales on the private label products. This breaks all paradigms because we consider Swiss people to be high income and high quality seeking people. And luckily for us, we are not distributing directly food in Switzerland, we are only negotiating on the international level, but we know for a fact that a lot of Swiss people cross the border every day to buy in our Dia shops, and this is why we consider the Swiss people to be very intelligent.

Looking at overall data, Spain is the second on the line with almost 39 percent of private label sales, followed by France with 36, and then Germany, UK, Belgium and Portugal in the 30 percent range. It is worth noting that between the top seven countries that we have on the list, three are countries where DIA is based. It doesn't matter if the country is mature or emerging, private label is growing.

Neilson, in a global survey, concluded that in times of economic downturn, customers are willing to purchase private label at a surprising 61 percent, which is very interesting. But more interesting is that asked to those who survey if they will continue buying after this recession private label, 91 percent says yes. In other words, DIA brand is a strong private label and it's resilient up trading. Again, another opportunity for DIA.

Now we are going to go more into details on our numbers, on our figures on Dia. Looking at our specific data on private label sales percentage, we always perform better than the overall price level percentage. If we look at the emerging economies such as China, the weight of private label is at the very little percentage of 1 percent, and out of the DIA sales in China, the weight of private label is 17 percent.

In Turkey, where the overall market represents around 10 percent, DIA's percentage is around 30 percent.

If we look at Latin America and other emerging countries in which we are based, such as Brazil, overall private label represents 5 percent of the sales, 6 percent of the sales, whereas in DIA, the percentage is almost 40 percent, exactly 39 percent.

The same situation applies to Argentina where the market performs at 7 and we perform at 43 percent.

If we look now at advanced economies, the overall market is on the 30 percent range. DIA sales are higher at up 50 percent, and with France with more than 68 percent. All our customers everywhere continue to come to our shops because of this price-quality ratio of our DIA products.

Our private label products differentiate us from competitors. They're unique, are designed by DIA. Over the years we have become pioneers developing our own label and we can say that we are the only hard discount retailer introducing both mature and emerging countries with presence in seven countries to date, with more than 7,500 items in that assortment.

In Europe, it is relatively easy to develop private label products as it is less complicated to find suppliers, they're used to dealing with strict quality standards and we have developed, we have a range of products of between 4,500 products is between Spain, France and Portugal.

However, in emerging countries it's not so easy. Nevertheless, we have developed an assortment of over 3,000 items for emerging countries in which we're established. In these countries we have become pioneers in developing and we have established new quality standards and this is thanks to our knowledge and experience and know-how of 30 years of experience in developing private label.

Not only we have 7,500 items in the market today, but we develop 1,000 new items every year. Innovation and renovation is critical to maintain our customers' interest and loyalty. 55 percent of these products that we have on sale today, they were not in 2007. This is a proof of renovation.

In our search for excellence we constantly are improving our products, [unintelligible] formats, multipacks or price round-off. In our search for operating efficiency, all of our products [unintelligible] of this presentation has multi-bar codes to facilitate quicker scanning so to be more productive, and most of our products are multilingual to be more cost efficient.

Our product image has consequently developed since its first appearance in the eighties, more than 30 years ago. Our last major packaging transformation began at the end of 2010 with the major transformation of our shops and it has been completed at the beginning of the year with more than 100 percent of the stores have been transformed, 7,500 products given new packaging.

We have modernized our packaging with better shelf identification, with the logo DIA for Dia products, and with more product information about the product itself and how to consume it for the clients.

We have created a strong link between the shop and the product. Our product image is the same as it is the shop image. And most importantly, our customers have liked these changes. They consider our image to be modern and of better quality.

To continue improving our brand reputation, we constantly invest in all type of communication, through promotional leaflets, basic and standard in a promotional way, with over 700 million leaflets printed and distributed per year, communication in our shops and internal and external ways of communicating through posters of [unintelligible], with more than 6 million printed, and online through our websites with more than 40 million hits in 2012, and through normal mass media communication such as TV, radio and specialized press.

In 2012 we have in Spain we decide to change our communication to reinforce the image and to allow us to communicate our store changes. We also wanted to improve our buying experience in Dia shops for our customers to associate low prices and private label quality. In June this year, Neilson survey concluded that 82 percent of our clients perceive a positive or a very positive change in Dia shops.

"Calidad y precio están muy cerca." "Quality and price are closer than you think." This is our new slogan in Spain and that links our product excellence, price and quality with shopper experience.

I'll now let you watch one of our commercials that was on TV.

A good commercial that is helping us with the brand. Why is Dia brand at the center of our group strategy? Our company is a cost efficient company which is driven by private label. From our sourcing to logistics to shops and packaging, everything is based on efficiency. Large volumes per unit which allow us to generate economies of scale, improve logistics with fully loaded trucks thanks to high volumes, minimize store display thanks to presentation through pallets or semi-pallets and efficient packaging with multi-bar codes which allows quicker scanning.

We have a strong private label purchasing power and we are tough and experienced negotiators. From our total group private label purchases of more than €3.400 million, 60 percent is centralized in our purchasing headquarters in Madrid. They're focused on negotiating critical and sensible files common to our most major countries, like Spain, France and Portugal, and the rest are local purchases. This allows us to have the best potential buying price in the market in these critical files and also to have the local know-how and specific local files.

While purchasing price is important, but the products and the quality of the products that we sell and buy is critical. We have to ensure that we maintain our customer's perception on having the best price and quality image. With regards to the selection of ingredients, we have to define our products and their quality specifications. We validate through panel tests, and we always -- they have to have a result of equal or better to the comparative product. Always they have to be equal or better to the comparative product. We hold more than 3,000 panels per year with more than 100,000 panelists for validation and control.

As to manufacturing and selection of buyers, we select the best suppliers based on price and also on the very strict quality and safety measures and regulations that we established. 100 percent of the suppliers are being audited by the DIA quality team, and this is differential from some of our competitors.

With regards to the finished product, we systematically control the products and the quality in our 44 DIA laboratories, one laboratory per warehouse, and in addition we carry out external analysis. We perform more than 500,000 analyses per year internally and almost 30 externally.

And to be able to achieve all this efficiency we operate with, we have developed a test of procedures, common procedures, a management IT tool which enables us to reduce the opening times of new products, improve with offers during negotiations, improve data quality and gain productivity through all processes, no matter if mature or emerging or DIA or China, we work on the same way and the process is exactly the same.

In summary and to conclude, Dia brand private label is a key, our key for our success now and in the future. It's a new product offered by a hard discounter which offers a broad assortment of dry products, private label products, as well as perishable products.

We are constantly renovating and innovating our assortment in order to maintain our customer expectation. We have high sales volumes which enables us for efficiency in sourcing and logistics, and our private label prices are 40 to 60 percent below the price of supplier brands, and this helps nowadays. As the result of all of this, our customers are [unintelligible] continued loyalty for our Dia brand, our brand, and this in turn will help to continue our successful path. Thank you very much.

Incremental opportunities in proximity by Diego Cavestany, Operations Executive Director DIA Spain

Diego Cavestany, Operations Executive Director DIA Spain: Good morning, ladies and gentlemen. I would like to start making you a question. I propose you to follow the game. Yesterday night's game, the quiz, but this question is much more easy, I think. The question is, can we grow in mature markets like Spain? You have two options. Please hold something red if you think the answer is yes, you can, or please hold something yellow if you think the answer is no, you can't.

Everything is red in this room, as you see. The tie of our CEO, the answer is very clear.

I am Diego Cavestany, executive director of operations in Spain, and I'm not going to tell you for how long I have worked in DIA because I am still very young.

Yes, Luis, you, too.

I'm going to mention the Spanish example, but I'm sure that there are other countries that can follow the same action plan to grow. First, a picture of our country. We have right now 2,900 stores, 18 warehouses, and two more for low-rotation items.

It's also a good moment to push growth because in these recent years we have concentrated our efforts in changing our models. As you see in this chart, please follow one slide, yes, we have completely changed from 2008 to 2012 our proximity network from DIA model to DIA Market, and later, from DIA Market to DIA Market 2. We have still some DIA model stores but all of them are fo-fo, and you know that we have, as Armando mentioned before, some problems in Spain now for financing operations for the small entrepreneurs, like franchisees, and we have to go step by step.

If we have a look at the attraction model, we have changed from the former DIA store to DIA Maxi and DIA Maxi 2. By the end of the year, the end of this year, most of the stores will be DIA Maxi, new model 2.

But we have also changed our operational models. In 2008 we decided to create the new co-fo formula. Antonio has explained to you what it is and you already know, but this is interesting because we had more than 500 stores right now with the co-fo formula delivering very interesting profitability.

Here you have how has been the performance of the new models when we have remodeled the stores. In proximity, from DIA to DIA Market, we have invested around €140,000 and the stores remodeling has delivered 10 or 15 percent sales growth. From DIA Market to DIA Market 2 we have invested around €40,000 and again this remodeling has delivered 5 percent sales growth. In attraction, the change from DIA Parking to the Maxi 2 DIA requires €250,000 investment, but again we achieve 15 percent sales growth. And for Maxi DIA to Maxi DIA 2, we invest around €75,000 and we get 5 percent sales growth.

Now I'm going to tell you the reasons why we think we can grow. Here you have a chart of the different market share of the channels in Spain. For the organized market you've to regard the three in the bottom, the red one and the two red reds, and these are supermarkets, hard discount and hypermarkets. The winning channels are, in

Spain, hard discount and supermarket. We're playing in that channel, so good news for us.

But if we consider the market as a whole, then you have to realize that the traditional channel in Spain still represents 50 percent. This is a channel which is focused on principals' products most of the time, so we have a good opportunity here to catch part of this market share with the new model DIA Fresh.

The second reason why we think we can still grow is, as you see here, in the Spanish big cities with more than 100,000 inhabitants, our market share in terms of square meters is lower than the small populations. So cities like Madrid, Barcelona, Seville, et cetera, we can intensify our presence with more square meters.

First reason I already mentioned this morning, the customers do like to shop near their homes, and we have the know-how, we have more stores than any other retailer in Spain in proximity. We have an efficient logistics system because we have 18 warehouses nationwide. So on the one hand we have the customers who like -- who love to shop near their homes; on the other hand, we have the know-how in proximity.

As you see here, this confirms what I am saying about proximity. According to Nielson, 52 percent of the customers in Spain choose their store because it's near the place where they live, a higher percentage than price or quality, it represents 29 or 23 percent of the answers for consumers.

So which are the options? After the reasons I'm going to go to focus now on the three growing options that we have in Spain, I insist, which is an example but there are other countries with the same action plans.

We have first DIA Fresh. The first thing we have to say is that we can take advantage of the real estate situation now in Spain. As you know, in a very difficult moment, so we can find more premises at very good prices.

Second, we are year by year improving our efficiency in perishable products. We are already No. 2 in the market in Spain for that category of products, with a very interesting growth in our sales in fruits and vegetables and all the perishables.

The second option I'm going to explain to you is Schlecker.

And the third one, the rural franchise.

But before I go in detail in these three options, let's see some comments from our competitors. Ricardo this morning has already mentioned but let me insist a little bit more because I think it's important. For example, Tesco, they say, "It's a different approach with less space growth, fewer new big stores and more smaller stores."

Walmart's opinion, "Walmart's small formats offer competitive advantage and more flexibility."

And in Brazil the example is of Minimercado Extra, from Casino, which is delivering acceleration for that company.

So DIA Fresh, the first option. With DIA Fresh we plan to open small stores because we think that we have the know-how in perishable products. Our target is to get the same EBITA margin than our other different models in the Iberian Peninsula.

And this is the standard layout for a DIA Fresh product. I'm going to give you some details of DIA Fresh, like this. This afternoon you will not need to ask 2,000 questions about DIA Fresh, only 1,900. Because how good you are asking questions, how do you love to ask questions. Yesterday night, even eating ham at the same time, you asked questions. Armando, next time, please do not choose such good ham.

Amazing, funny.

Well, the first figure about DIA Fresh is the size of the store, around 180 square meters and 135 selling area. You will be very familiar with DIA Fresh after all these layout charts.

The second is the area we dedicated to fruits and vegetables. 30 percent of the space of the store is dedicated to that category of products. That confirms once more that we are a specialist in fruits and vegetables. Most of the times we place this section in the entrance of the stores to get the fraction from the customers as soon as possible.

Second, bakery. Most of the people in Spain buy bread every day, so this is also good to get frequency of visits from the customers because we think they will come to our store even on a daily basis.

Some new sections, like fish, you will see this afternoon. This is something new for us. And it's a good opportunity not only for DIA Fresh but for the other commercial models, because we will be able to improve in categories where until now we couldn't sell with enough warranties or with enough know-how.

Another part of the assortment, meat and chicken, and so on.

We pass to ready-to-eat meat, another new category of products, and again the same explanation; maybe if we get a good know-how here, and I'm sure we will, we will insist on these categories in DIA Market and DIA Maxi in the future.

Dairy products, we have a nice assortment of this category, as the shopping frequency is higher for dairy products than for the fast-moving consumer goods.

We have, as well, an important area dedicated to frozen food, which is gaining market share, and a small part of the assortment is the fast-moving consumer goods. Why? Because we think we need to have the assortment, the convenience in stores that we do have, because we are much more cheaper than them, for sure and a part of the assortment, like beverage and things like that, is because customers sometimes they need an urgent shopping of this kind of products or sometimes they forget in the normal supermarkets they go.

And now some information about how we operate these stores. We have long opening hours from 9:30 in the morning to 9:30 in the evening. We have a very well trained personnel in fresh food. We need it because we are a specialist. Deliveries to the store are made early in the morning, before we open the stores, and investment is around €250,000 per store. We already have some results of the stores we have already opened. Until now we have 12 stores, five in Madrid, four in Barcelona, one in Seville, one in Cádiz and one in Valladolid. The average sales per store, €75,000; customers, 540 per store per day -- sorry, 470, and basket average of €6 per customer, and the results are better than we expected.

The following information I'm going to provide is about how we sell per category. That fact confirms once more that we are, and especially DIA Fresh, is a specialist in fruits, vegetables and in perishables in general. Fruits and vegetables, 30 percent of the sales; meat and chicken, 11; fish, 6 percent; bakery, 5 percent. So perishables, 52 percent. More than half of the stores are done with perishable products.

In the top 30 items we have 20 which are perishables. And we already have the opinion of the customers. We already made a survey among our customers and the good news is that they understand the concept, which is important, and they like it. For example, an opinion is "It's a mini supermarket where you can buy all your daily fresh products and they offer the other little things you forget."

77 percent of the customers say that there's a good variety of fresh food, 72 percent say we have good opening hours, 65 percent say the offers are well indicated,

and 64 percent that it is a modern establishment. In summary, they say it's a good shopping experience with good assortment in a high-quality store.

So which are the next steps for DIA Fresh? We are going to test an even smaller store because we consider that with this store we will be able to enter in some areas in big cities where we cannot find bigger premises, so it will be an opportunity to go to downtown areas in cities like Madrid, Barcelona and others, and I think we are going to make it during this year.

The second thing I want to tell you is that by the end of the year we will have around 20 to 30 stores with this model DIA Fresh and we will be able to have more information, not only from the cities where we are now, also from other cities where we are going to open.

Okay, I'm thinking you're already convinced that we can grow with DIA Fresh, but we have more.

The second option is Schlecker. I'm not able to tell you many, many things about the Schlecker because, as you know, we are under the approval of the anti-trust authorities, so we can provide some limited information.

But the history of Schlecker, I think, is interesting. There are many points here, but I'm not going to tell you all of them, just three. Schlecker was founded in Spain in 1980. As you know, it belongs to a German group. They opened in the Iberian Peninsula the second part of the second country, which is Portugal, in 1996, and it's interesting to point out that they opened, also -- they made a remodeling of the stores with a new model they call XL, which is quite similar to what we have done with DIA Market.

The footprint of the company will be this. We are talking about a leading drugstore retail chain with a network of over 1,200 stores focused on the northeastern parts of the country. The sales in Spain, €318 million, and €10 million in Portugal. An average store size of 150 square meters, 2,800 employees in Spain and 100 in Portugal.

To emphasize that we are talking about a truly specialist in household and beauty products, you can see here the breakdown of their sales. They make 38 percent with household products, they make 26 with beauty products, 14 percent of the sales are body care products and so on.

And now let's turn to the possible synergies we may find with the acquisition of Schlecker. First, the logistics. It's easy to understand. We are going to put three more warehouses on the map, so 18 plus 3, and this is an easy way to improve our efficiency to continue our cost savings plan in logistics. We will be able to be, even as Julián Villena told you this morning; we'll be able to be even more near the stores with three more warehouses.

The second synergy is also very interesting, is the commercial synergies. I think you all can imagine what I'm talking about, because although we have a different assortment, we have the same suppliers. So we have both opportunities with national brands and with private label, and also we have to consider the private label in Schlecker weights only 14 percent of the sales. So we have the opportunity also to improve those categories, not only in the Schlecker stores but in the DIA Market and DIA Maxi model in the future.

Expansion, of course, this is an opportunity with this project because as I already have mentioned, Schlecker covers only half of the territory. They're focused on the northeastern parts of the country so we have clear southwest to open many, many stores of Schlecker, or similar to Schleckers in the future.

And this is a picture, a real one, it's not any PhotoShop or any other thing like that, device that you can imagine. It's real, it's in Barcelona, in Avenida Madrid, to talk exactly. So in the same building you have, for the people who live there, if they go to the left they find a DIA Fresh, if they turn right, they go to Schlecker. So this is like the future is going to be in many important cities in Spain, one Dia store on every corner.

And this is another example of how we can intensify our presence in a city in this case we are talking about Zaragoza, the fifth city in Spain in terms of inhabitants. If you secure the Dia stores, we have already around 40 stores in Zaragoza, but if we put a click we'll see that we have 37 more stores of Schlecker. So again the concept is that we will be able to intensify our presence in the big cities in Spain.

And the third growing option, I'm not going spend much time not this because Antonio Coto has explained today what is a franchise store, and the good news is that we are in 2012, not in 1988, so now we have a very competitive commercial model, DIA Market model for fo-fo and co-fo stores, and we think we can compete very well in that small inhabitant populations because we are going to be the cheapest in the market. So it's for sure a very big and nice opportunity to grow.

So with this, I think that we can again answer the question with this presentation. Ricardo yours is PP, mine is three-three -- three reasons to growing, three ways to grow.

So I think with this you are sure that the answer to the question once more is red, like the DIA color, yes, we can grow.

Thank you very much.

Financial Overview by Amando Sánchez Falcón DIA CCO

Amando Sánchez Falcón, DIA CCO: Good morning, everyone. I hope everybody is doing well and we're now on the last mile of the presentation, so I hope we can still keep you interested for this last section and moving ahead to the lunch and the store visits, which we really think are going to be probably the best part of the meeting.

So again I want to stress how thankful we are for having such a good presence here today. We know that many of you've come a real long way and we hope that the meeting is -- and the day is really useful for you. One small remark on logistics and assortment, and especially for those of you who missed dinner yesterday, there will be no quiz but there will be ham. We have already taken care of that.

So before we get started in the materials, let me just share with you a couple of thoughts after almost a year in DIA now for me. As you know, I cannot compete in loyalty with Luis, Miguel or anyone in the DIA management team, but again, probably benefitting from being almost an outsider, let me share with you what I think.

I really believe that DIA is a great company. A great company which is led by an experienced, humble management team, a highly motivated management team that today in the new life as an independent company is really finding its way to a new level of performance, a new level of growth, and I think what we have seen here today is a very good point for that.

Another point that I would like to share, a more general point of how I have viewed that things are done in DIA, well, it's pretty simple. Whenever we are faced with a problem, we make a team of people from different departments, we ask them to analyze the issue, to benchmark against what others are doing, to test and then to measure. These might seem like a very simplistic way of doing things, and I'm sure you've heard that from many companies.

But I think the last part of it is not obvious and what I have learned, the little I've learned in the retail business so far is that measuring things is not easy. And this is something we really do in DIA. Every action, whether it's a commercial action, a capital deployment, an allocation, is always undertaken with a prior economic analysis and model, and then we are able to measure things because we have our own independent and proprietary IT system. Although DIA has always been within a larger group, Promodès or Carrefour, the basic backbone of its IT system has always been internally developed and, I would say, shared with other parts of the group. And that is the backbone.

I think Julián Villena explained very well how many of those processes across the supply chain works, and I think that's really very important to DIA Market. And I believe again personally that in a businesslike this one where decisions are taken by an executive committee in Madrid, or sitting in Paris or São Paulo or in Shanghai, but then they're executed by thousands of people on the ground, and this is extremely important to know what is really happening and what are the consequences of the actions and the decisions we are taking every day.

Some of you know that my background is not in retail, it's more in the energy infrastructure, space test where they're very expensive and they were very difficult to change. In food retail, and especially in proximity, those tests can be carried out as a trial and error. But again it is very important to measure and to be sure what are the consequences of the actions you're taking because basically again you can change the scope and change your rifle, but you would be shooting with your eyes closed or your eyes covered, so it is very important, and I cannot stress, from my perspective, how important that is for the success of Dia.

Let me summarize what I want to bring you as main messages today.

First, we're growing on top line and we are growing now faster than we were before.

Second, we are focused on cost efficiencies. That's in our DNA, and again Julián has explained how that process works in DIA.

Third, we are growing with discipline, we are allocating capital increasingly to the regions and to the projects that are bringing us growth and returns.

And, last but not least, we will look at returns and how those increase sales and reduce costs, bring earning growth and return to shareholders and, of course, we will take a look at the numbers at the end.

So DIA has been always a story of growth. Since its inception back in 1979, the company has been growing steadily over the years, adding new countries, adding new formats, innovating the way, developing its skill and developing further its capabilities, always trying to become more efficient and to bring quality products at the best prices for the customer. Even in the past five years in the midst of a very difficult environment in some of our key markets, DIA has been able to grow.

But the reality is that in the first nine months or since the company went public is that this growth is only accelerating. We are growing faster in 2012 than we have done before, and growth is coming both from new profitable space openings but also, more important, and as some of you highlighted before, because like for likes are accelerating. We are taking care and we know how important same store sales growth are for returns and definitely we are working hard for achieving that. I think Juan Cubillo and his team presented many of the initiatives that are leading us to succeed in that area as well.

And what is more important, we are growing ahead of our markets. As we could see there, we have exceeded the growth of our markets as a group, as a whole, with a 6.36 percent growth for the market and a 6.9 percent growth of sales for DIA as a whole.

But this is especially true if we do the focus on what I have named here our key markets -- Iberia and Latin America. In Iberia we have 5.2 percent growth. We have clearly exceeded the 1.4 percent growth of the fast-moving consumer goods market for the year with a balanced combination of like for likes and new store openings.

In Argentina and Brazil we're growing at almost 30 percent, as Ricardo Currás explained before in his presentations, and we have been doing so for many years now. This is twice as much as the average growth of the market in this category.

And we can tell you that this is no longer a negligible part of the business. With the same growth rate that we have had in the first nine months of the year, the sales of Brazil and Argentina for 2012 will surpass the $3.5 billion figure.

As Julián has explained in his presentation, DIA has in its DNA the constant search for efficiencies. We understand retail as an integrated process, throughout the supply chain, and that is how we look at it. Julián's responsibilities encompass every step of the supply chain and he has also a global responsibility to act together and to coordinate with the local teams all the opportunities we find and to expand best practices to every country where DIA operates.

And as I said before, it is extremely important to be able to measure and to quantify the impact of each one of those measures, something which might not be as easy to do if you rely on external IT system.

But as Antonio Coto explained before on the franchise side, this is also a great driver of efficiency for the model in general and for our economics. So you have two fundamental driving forces for further efficiencies. The question you may ask is with these reduction of costs that Ricardo showed in his introductory slides, how much farther can we go in this route? Well, we hope with what we have covered today we can convince you that there are really more opportunities in this journey of cost reduction.

If we go down the P&L and for those of you that have the hard task of modeling DIA, we want to just bring some consideration in how we expect items below the operating profit level or the EBITA level to behave in the next few years. On the financial expenses, we expect to, on the one hand, the cash flow generation of the business to continue releasing our debt levels, but also we have long-term debts secured at attractive levels and we will benefit from an environment of reduced interest rates in euros. And, of course, we hold that equity swap, we want to clarify that we always exclude that from the underlying net profit calculations that we provide you with in the presentations and on these slides.

Depreciation will continue to go down as a percentage of sales as we have more growth opportunities and we are spending more cap-ex in regions, in formats with less capital intensity. And finally referring to taxes, we have always taken a very cautious approach, we have always -- or we have not capitalized losses in some of our loss-making countries, and as we turn these countries into profitability, tax rates will normally go down to levels close to the low thirties, which would be the average standard rate for the countries where we operate.

So we are growing and part of that growth, as we said, is coming from additional capital we deploy. But we are doing that deployment with discipline and focusing on returns.

Here are the main drivers that will lead to future capital expansion in the business. We are further focusing on capital in regions where we, as we say here, have earned the right to grow, we will continue to expand into new regions and as we find new opportunities in proximity, densify our existing positions in mature countries, and we, as Juan explained before, we will continue to invest to update our formats and drive like for like.

Cap-ex, as you see in Latin America, was presented by Ricardo before is growing at almost 40 percent and it is set to grow in the near future as we invest in new regions and is now significantly higher than the cap-ex deployed in other countries like France. And the trend, although we, as we said before, we continue to invest in France and to develop a new format, it would be a much less capital intense business in the future.

Also, in Iberia we continue to invest and especially we will reinforce that investment in the new opportunities in proximity. But I think we have proved, as well, that we are able to find opportunities in through M&A, and we strongly believe that Schlecker and its integration with Iberia is a perfect fit and a great opportunity for us with a clear strategic and financial rationale.

In 2011 we acknowledge that profitable growth in Iberia might only be possible if we were able to transform and continue developing the idea of the 2P retailer that Ricardo explained. Going further into proximity, we developed DIA Fresh, as explained by Diego before, on our own in the perishable space and we find the perfect opportunity to take some years off that expansion process in the household and personal category through Schlecker.

I think on the financial front this is an acquisition that makes all the sense with very reasonable multiples and we estimate that it would be a credit from year one.

I won't spend too much time talking about the attractiveness of the business and the opportunities for DIA, but I want to remark that Schlecker is already a good brand in Spain in the regions where it is present, not very well known in other areas like Madrid but a very strong brand and a very strong image in its areas, that there are plenty of opportunities to grow it within DIA, and the fit with our business model with our customer approach is very -- we were surprised by how close Schlecker customers and how well Schlecker customers fitted with existing DIA customers.

Going back to the growth opportunities, and I think it has been very well covered by Diego, we find opportunities in Iberia to grow DIA Fresh, to grow Schlecker and that will be an incremental part of our cap-ex as we move forward.

Let's now look into more detail at one of the announcements we made today which is new regions, and particularly new regions in Brazil. As you know, until the end of 2011 our activities in the country were exclusively focused in São Paulo region. We could have continued, as Antonio explained before in one of the answers to your questions, to densify São Paulo without venturing into other regions. But we thought the right thing to do was basically to create new opportunities, opening new regions that would provide us the future of more growth and more profitable growth.

So in November 2011 we opened our first store in Porto Alegre, in the region of Rio Grande do Sul, doing very well, and in 2013 we are now announcing the opening of a new region in Brazil in the state of Minas Gerais. Minas Gerais is the third largest region by population, and Belo Horizonte, its capital city, is a bigger city and one of the most important industrial and commercial urban areas in Latin America with the highest growing in GDP per capita of the country. We estimate the total potential of sales of €1.2 billion. This makes it a very significant opportunity.

We have found that from a logistic and management standpoint the short distance -- relative short distance to São Paulo is also an important factor and some logistic product development synergies can be obtained. So one of the questions we're trying to answer as well, and you have posed to us many times since the listing, is can we grow faster in Brazil. The answer is yes, and we are doing our best to realize the full potential of our position in the country.

However, this healthy growth is based as well on strengthening our position, our image in the country and, of course, it comes with a certain cost in terms of margins growth. We are growing our margins in Latin America and in Brazil, but definitely the long-term focus to this expansion is or will have a drag on our ability to grow margins in the near future.

To finalize on the cap-ex side, let me remind you of something that Juan has named a lot of times so I think we'll rather insist on this, is that constant format updates is one of the best ways to drive and to sustain like for likes over time. There have been many examples but I want to bring a very recent one. This is the results of the deployment of the Maxi 2 model in Argentina with like for likes almost doubling after the implementation of the model. We are committed and we are sure that Bruno and his team will be able to bring some tango to the Maxi 2 model over 2013.

Let's now look to returns, and the math is relatively easy. Sales growth and operating expenses, leverage yield significant earnings growth. Over the past three years we have delivered double-digit underline EPS growth, and the first nine months of the growth we have achieved 30 percent underline EPS in these nine months.

But turning on the right side of the light to your estimates -- you, meaning the analyst -- estimate, the consensus gathered by Bloomberg for 2012-2015 period you will find that you, the analyst, expect us to grow much more in line with the fastest growing peers of our universe and quite well ahead of the average of European retailers.

Let me now go from a moment to cash flow and balance sheet. Our cash flows and our strong earnings have led to significant cash flow growth over the past few years with a growth of double digit, almost 14 percent over the past three years while we have also proven our ability to reduce debt since we listed, even if we continue committed to invest in our business and to remunerate our shareholders.

We will now speak of returns for a moment and definitely the message here is sustainable growth, profitable growth and cash flow leads to superior returns.

We are, as you know, you know well, among the top performers of the food retail space since we listed, and we have distributed almost €136 million to our shareholders through a combination of dividends and share buy-backs. We have repurchased 3 percent of treasury stock since the listing and we have an equity swap for another 2 percent at attractive prices.

Now our share price is, after this, is close to all-time highs. And many of you are wondering what is next, and we hope we can help you to answer that question. But what we can tell you is we feel committed and we think all this work places us in a unique position to deliver growth in the future and returns to our shareholders.

Let me now look for a moment at returns on investment. This is a question that has been raised over the past few months, and whether we look at returns on a capitalized or least capitalized basis or not. We have prepared one standard calculation, what we have here, and we know that even with the full capitalization of rents, DIA is again one of -- represents one of the highest return on investment in the retail space, and we are committed to maintain this in the future. We have, we believe, the adequate means, balance of growth opportunities in the different regions and format-wise, and we are also investing. Part of that investing is investment we do to drive costs down. Don't forget this.

So again we can say that DIA is at least on the top range of the food retail space.

Let me now finalize, taking a look at the numbers. We provided you with a guidance for full year results in February, and over the quarters we have been showing increasing confidence as we perform over the quarters to meet these targets. We have faced several headwinds in this year, worse consumer environment in southern Europe, competition in Turkey, in France, but we are now able to present the following update.

On the store count, we are revising the 425 to 475 guidance that we provided for a total of 225 to 275 net openings for the year. However, all this reduction is attributable to our decision to stop or change the shape of our expansion in Turkey due to the competitive environment. So everywhere else the expansion and the store openings is going as we will envisaged at the beginning of the year. Despite this lower store count, or this means in the store count we are now in a position to improve the guidance we provided and to revise upward the guidance of gross sales under banner from the 4 to 6 percent range to 5.5 percent to 6.5 percent range.

On the earnings side we guided to adjusted EBITA and EBIT in line with those provided in the listing process, a constant currency and excluding the effect of incentive plans. In order to make the comparisons easy we have shown there what those estimates were for EDITA at current forex rate, so at September 30 forex rates, and with the impact we estimate to have for the long-term incentive plan, that was €590 million and we're now guiding towards €595 million to €600 million. That would be the final figure we expect to make for the year, and for EBIT the estimated return forex intended plan was €300 million, and we now foresee €315 million to €320 million at current rates forex rates for year end.

Great. Let me conclude with the following summary. Again, sales growth, about market in key regions, leverage on the operating side from continued expense reduction, discipline and return on capital allocation, strong cash-flow generation and we are ready, we are poised to continue delivering superior shareholder returns.

Thank you for your interest.

We are now ready to open the Q&A session. We will then finalize with some closing remarks from Ricardo, and we'll go to lunch and we hope we keep everything on time so we are ready to start the store visits at 2:00. Thank you very much.

Q&A Session

David Peña, DIA Head of Investor Relations: Before turning to the second Q&A session, let me give you some tips about the store visits we have prepared. There are two visits. The short visit will last around two hours, depending on traffic conditions, and includes DIA Fresh and DIA Market stores and will end at the airport. The long visit includes all the formats of DIA -- DIA Fresh, DIA Market and DIA Maxi. We have split it up into two different buses. One is ending at the airport and the other one is ending in Madrid, just to let you know which one you prefer.

So at this point in time we are opening the second Q&A session. So please . . .

Question: I'm Fabianne Caron from Kepler. I've got two questions. The first one, are you in a position to take a view regarding the cash EBITA margin targets you gave us for 2013, the IPO document? It was 4.6 percent, I think, should be the margin for France, 3.8, for emerging market I guess it's changing depending on what Ricardo said this morning, and then it was 7.6.

And my second question, more general, is on Spain. Given the strength of Mercadona, do you feel that you get more support from branded suppliers as I guess you are the kind of only alternative in terms of national supermarket chain in Spain selling brands, and is it the same thinking you have as well looking at Schlecker, that you may get more support from branded group supplier? Thank you.

Amando Sánchez falcon, DIA CCO: Thank you for your question. Regarding the EBITA margins that we can envision for 2013, unfortunately, of course, many things have happened since we put together those numbers back in 2011, so I think probably what you can look as a better guide is how we're doing in 2012, rather than tying back to what we expected then.

Obviously, on the long run and as I explained through my presentation, we are positive of our ability to continue improving somehow our economics in all of our markets, and our constant search for efficiencies will certainly deliver improvements in the future, in the absence of competitive environments like the one we had in Turkey. But in general, we are targeting, at least, for stable or slightly improving margin in the future.

Ricardo Currás, DIA CEO: Thank you for the second question about Spain and Mercadona.

You know that suppliers, when you ask them, they love competition. They love competition between retailers, they love having many retailers to speak with. I think we have very good relationships with the suppliers in general, of course, sometimes it gets tough, even tougher, but our relationships have always been good because we have had, always, a very honest and clear understanding with them in our proposition, we have not changed every day in our strategy, so they know very well what they will obtain from us.

And as Luis explained before, the loyalty program is also helping us a lot, because it is discreet, you don't see anything in the market, and suppliers love all this information that we are providing them, all this data about the efficiency of the promotions we are doing with the customers. They even design with us, even if we are always the leaders, because we know well how to match the whole picture, but they present us, also, new possibilities to do new approaches or promotions with customers in loyalty program, and my point of view is that they will be very interested in Schlecker because in general Schlecker was very, very smart in the type of categories that it was selling.

When you look at the gross margin of the categories Schlecker was selling, it was quite amazing, and when you have these type of categories, normally there's also a lot of money behind, in the pockets, if I may say, of the suppliers, because they're also good margin categories for suppliers.

So I'm pretty sure that with the combination of our synergies with other formats and all the knowledge and all the possibilities we can do with the loyalty program, through customers in DIA to make them buy in Schlecker, I think we'll obtain a good understanding with the suppliers. Maybe Juan can add something.

Juan Cubillo, DIA Commercial Director: Let me elaborate a little more on the question. What is happening right now in Spain, basically, is there are two retailers growing with a market that is a tough market, with many big problems in terms of growth, and we are growing. We are growing faster than we have grown in the past. And also another big operator is growing in this market.

For us, our strategy is really balanced between the private label and the national brands, and we communicate that with all our suppliers. We have our commercial strategy based on those two big brands. And the commercial strategy from the other retailer is based on his own brand, and also this is clear for all the suppliers.

Thank you.

Question: I'm Xavier Le Mene, from Credit Suisse. One question if I may. Back to May 2011, actually, when we had the IPO you were talking about emerging country growth opportunities, the fact that will do 30 percent of your profit in 2013 in the emerging countries, you were talking about more or less flat margin in Spain and a strong recovery in France with a potential of 1,500 stores in France.

Today we talked a lot about Spain, about the opportunity with the new concept, the opportunity with Schlecker, we talked a bit about Brazil, but it sounds like the picture is fully different from what you were talking about less than 18 months ago, so where do you see [unintelligible] will it be exclusively kind of a Spanish company rather than a company with a strong exposure to emerging countries. Where are we going, because it sounds like a lot of change has happened in the last 18 months?

Ricardo Currás, DIA CEO: If I may, thank you very much for your question. Let's look at all the numbers. We said at that meeting in 2011, we said we were going to have 30 percent of our sales, also, in emerging markets. We are already there.

We have already surpassed this 30 percent barrier.

It is true that when you look at the growth in the different emerging markets we have been better in some markets, less good than expected in some others, but what I have to tell you today is the overall picture is a very good picture because we are growing in those markets which were more important for us in terms of sales.

When you look at the volume of Brazil, the volume of Argentina, it's much bigger than the volume of Turkey, even at that time, and the volume of China, which means that this 30 percent growth that now we are delivering -- and it was not in the plan, I assure you -- this 30 percent growth for Brazil and Argentina is outstanding and it explains, from my point of view very clearly our commitment to continue growing in the emerging markets.

But of course we are taking decisions because situations evolve. Today we have done an update of our strategy because we cannot be speaking for the next five years what we said eight years ago. We have to adapt, also, to what in the market is happening.

And I assure you also that a few years ago we were not seeing the actual situation, the actual difficult situation in many markets, and it was difficult to foresee that, and difficult -- if you look at the numbers that other peers were providing at that time, you will see, probably, that the difference between the numbers they provided, the small numbers they provided and the reality is much bigger than that -- than our reality, because we are very close to what we said at that time.

But of course, we have evolved, we have updated our strategy and we have seen that we have growth opportunities also in Spain and in Portugal. And we have added to our growth markets, we have not substituted, but added to the growth markets

Spain and Portugal. We see that we have opportunities there.

But they will be coming in the future if we are successful with Schlecker and successful with DIA Fresh in Iberia, they will become in the future also good opportunities for the other markets, good opportunities for the other markets to continue growing whenever we find that we have already covered with our main formats the territories.

Thank you.

Question: Yes, José Rito, from the BPI. I'm sorry for insisting, the guidance for 2013, but, well, just to make it clear, and, well, this year you're doing better than the guidance you provided at the time of the spin-off.

I just want to understand -- well, obviously we have to adjust the figures that you provided by that time for 2013 related to the effects and long-term remuneration plan, but could you confirm that given that evolution that you have been seeing this year has been better than the initial forecast for 2012, that eventually you can meet also the targets that you provide by the time of the spin-off for 2013?

I think that the adjusted EBITA for 2013 was around, slightly more than €670 million.

Second question on DIA Fresh, we have some reference of the store openings for 2012. Can you provide some highlights on what could be the potential number of stores to open in Spain, I would say, in five to six years?

And also in terms of margins, if this will be in the early years. I have known that's in the presentation you mentioned that over the long term these stores should have more or less the same margin, but just to understand the short term. Thank you.

Amando Sánchez Falcón, DIA CCO: Thank you. Jose I will take the first question on the 2013 plan. The idea is not to provide today further outlook for precise guidance for 2013. Again I refer to my previous answer. I think if you read the numbers, we are confident that we are in line with delivering growth. However, it is, I think, fair not to look at every line and every number of the plan because otherwise we'll be stuck in comparing things that are probably less and less comparable as we move forward.

I think the general comment is that the growth that we're seeing in 2012 and in the absence of new things will be -- or we are in a good position to maintain those growths in the near future, but it is also not the purpose of the presentation today to bring detailed 2013 items.

Diego Cavestany, Operations Executive Director DIA Spain: Regarding DIA Fresh potential and margins evolution, I think the potential is huge because we haven't so far covered some areas in the big cities. I have already explained in my presentation areas where it's really difficult for us to open DIA Market stores because we don't find the premises, or sometimes our premium areas where leases, rents are really expensive, so we're not sure because we have the second option which is an even smaller store, but probably the potential for DIA Fresh in Spain is 500, 700 stores. We are right now not 100 percent sure, but it will be over 600 for sure and even more, no?

In, actually, in 2013 our plan is to open 100 stores DIA Fresh, which is difficult but we can do it with the two models or the two options that we have, bigger and smaller stores.

And regarding the commercial margins in DIA Fresh, I'm sure they're going to improve because we still are learning, and in the fruits and vegetable sections, we always have difficulties with the products and we lose some margin, but in the near future, the improvement, the know-how that we are going to acquire in that model is going to let us improve our commercial margin.

Question: Hello Stephan Seip from Hammer Partners. One question regarding Schlecker again. Could you quantify the synergies, what you've described, and how long it's going to take to realize them?

Ricardo Currás, DIA CEO: We cannot provide today this information because we are in a process which makes it difficult and very -- more than difficult, even, I would say very dangerous to provide this information today because it could affect the process, so we prefer not to speak very clearly about that.

Of course, the good news is that we have a lot of information about Schlecker, we have had a very, I think, a very good process in the dual allegiance process of the company that has provided a lot of information, and of course we know that there's a volume of synergies we will expect, but it will take some months before the authorities take a decision to say something more about that because it's not the right time yet. Thank you for your understanding.

Question: Cédric Lescable, Raymond James. I have a question on Latin America. You improved profitability slightly, despite very strong expansion. Given the huge expansion, accelerated expansion, could you help us a little bit with math, maybe giving us some metrics on the maturing stores, which is of the stores opened a few years ago, how long does it take to get to maturity and what kind of level of profitability does it reach, like that we could project ourselves a little bit and do the math. Thank you.

Amando Sánchez Falcón, DIA CCO: Okay, I think it is difficult to provide one standard measure that gives you the idea of that. Obviously, what we are telling you is a new region is cash flow negative and loss making at the operating profit level, so it's easy to come back and, if you see an improvement in margins for the overall country and region, and specifically talking about Brazil, you have definitely a significant improvement in margins and in profitability in the existing already dense region.

Don't forget that even within São Paulo we're not talking about an operation which is already dense enough. We are still growing in São Paulo and São Paulo, as a state, is a big area, as Antonio explained before, it's half of what we have in Spain and we have 18 distribution centers in Spain alone. So that process is there and that increase or improvement in margins is there. However, it is difficult to quantify in one measure.

What we can tell you is that returns on investment, as measured by those metrics I showed before, are as good in Brazil as they are, for example, in Iberia. So you should take also into account that we think probably the best way to build our base and to build a strong basis in the country is not exclusively to look to maximize the margins, which that's a way you can do it, but achieving reasonable, very good returns in line with the best returns we are obtaining in our mature countries while allowing the business to establish a healthy image among consumers in terms of price and in terms of expansion rather than focusing exclusively on maximizing profits in the short term.

David Peña, DIA Head of Investor Relations: Yes, we have time just for two more questions.

Question: Yes, Francisco Riquel, from N+1.

I understand that you are reluctant to give official P&L guidance given the uncertain environment, but I wonder if you can share with us at least what are your plans in terms of cap-ex, which is something that is more under your control? So if you can give us some guidance of what are your cap-ex plans for next year, and also details in terms of allocation by region and also by growth or maintenance. Thank you.

Amando Sánchez Falcón, DIA CCO: Thank you, Paco, for your question.

I think we did -- as I said, it was not the purpose to bring more detailed guidance for items for 2013 today, although I would sort of go back to the different slides of the presentation where we have spoken about that.

Definitely, we in general as a company see increased opportunities so we will continue to invest a significant amount of cap-ex, as we have done in the last few years. The balance of that is more towards new openings than it has been in the past. We have finished, as you have seen, for example, the transformation of the models in Spain are going down from €140,000 per store to the new models being around €40,000 per store, so definitely the weight in general is shifting towards openings rather to format updates, which is still an important part, and we are further developing format updates in France. But, obviously, the large -- again in France, the large format update has been already completed.

So in terms of geographic regions now, the trend that we have shown for 2012 of more weights in emerging, and especially Latin America and Brazil, is only intensifying. France is expected to go down in cap-ex, even if we continue or launch this new Maxi 2 program, but still a significant reduction of cap-ex devoted to France next year, and most likely some growth as well in Iberia as we look at the new opportunities.

Again, incremental openings, not probably a reduction in the number of actions in stores because we wanted to keep the store network very up to date, but less, much less capital intense. And of course you've to account for Schlecker in Spain and the update of Schlecker stores, which again is not something we are ready to speak, but you should account for something, of course, as we take control of the store.

Thank you.

Question: Jérôme Samuel from HSBC. A question on buying conditions. Can you share with us the potential of improvement in terms of your buying condition in France?

And the related question is, how much of your buys of national brands are made in common between the three main countries.

And the related question is what is the pricing positioning of France for DIA now? Can you share that in terms of price perception? DIA is No. 4. What is the price positioning, or price indexing?

Ricardo Currás, DIA CEO: Well, there's still room to improve our conditions in France. That's the answer. We have a very clear picture, product per product, supplier per supplier, especially in national brands because in private label we have the same conditions, we have had the same conditions also from the past so there's no difference in private label, and we are always improving our conditions, but at the same path as in Spain or in Portugal.

But in national brands we have still room to improve. We have done part of this improvement this year. We knew, we knew that we were not good at prices, at buying prices in France in Carreofour times, and that's good news because it means if we continue this, with our actual model and we continue to improve our operations in France we will be able, also, to obtain some money to invest from the suppliers year after year, because the room is quite important.

Let me not give the number, but probably we have done, say, 30-40 percent of the track, we still have 60-70 percent of the improvement.

When we speak about the price, price index, we are No. 4, price image, but first thing is we are very close to the others, to the other three. It's not a big distance between our price image and the price image of the other hard discounters, and Leclerc which is included in this basket of good price image.

So we have to improve a little bit our price image, we want to improve our price image, and it will come, of course, through our price index. This year we have done a big effort in price index. We were, I told you last time, we were below, we had worse prices than even, for instance, last year, and this is not the case this year, which means that we have improved a little bit our position, but it is not enough. We know that we have to invest more and that's why I told you that we want to invest an extra 100 basic points with a Maxi 2 model.

I don't know, Juan, if you want to add something.

Juan Cubillo, DIA Commercial Director: Yes, only about buying conditions in national brands in France. We are doing a process, this process we launched 15 months ago, in order to develop a common platform negotiation in Europe between France, Spain and Portugal. And for sure, as Ricardo has said, we have found huge potential in terms of commercial condition improvements in France, Dia France, through the information that we have to the other two countries coming from Portugal and from Spain.

But I'm going to give you information not about France but about what's happened four years ago when we started working between Spain and Portugal, because this process that we have launched some months ago with France, this platform that we are building with those three countries, we started working four years ago between Spain and Portugal, and we find exactly the same situation. We have the important difference and the high possibility to improve our commercial conditions in some suppliers when we compare the commercial conditions.

And also, the important thing is not really to identify how big are the commercial conditions, you know, how we are going to work to reduce the commercial conditions. The only way to work to reduce the commercial conditions is to be seated at the same table, the three countries, Spain, France and Portugal, and work together with the same strategy with the suppliers in order for sure to ask common conditions for the three countries, but with a common project in terms of development of sales or in terms of pushing one brand or another brand.

So our experience will have done this work four years ago with Portugal, and the difference in the gap now between two markets is not so different as Portugal and Spain, is really narrow. Nowadays there's no big potential, but we have taken the potential, and it's because of that that Ricardo talked about 30-40 percent of the potential has taken and we still have potential for the future. Thank you.

David Peña, DIA Head of Investor Relations: Thank you for all your questions. We are two minutes delay out of schedule. I hand you over to Ricardo for the final closing comments. Thank you.

Ricardo Currás, DIA CEO: Thank you, David. This is our German side. We bought first Plus, then Schlecker and so we are becoming German in terms of optimum quality, as you see.

So here we are. This Investors Day is coming to the end. I don't hear a big "Ohhhhh."

Before we have the place to visit the store for the teach-in session, I hope you will be already convinced that DIA is, if not yet the best, probably one of the best 2P retailers. My feeling is that we are working hard to get to the first position of the 2P retailers in just some quarters, because we are lowest cost operator with flexible operating models, the best price image and at the same time closer and closer to the consumer with constantly updated commercial formats and expanding very fast in emerging markets where we are already doing more than 30 percent of our sales.

Of course we have some issues. We know that. We know, but I hope that you will be sure today that we know how to handle these issues, and we are already taking and will be taking the good decisions. And as I said before, 2013 will be -- it's, for us, a decisive year.

And as you have seen, we have created two new growth opportunities in the last 15 months, considering number of stores we have in Iberia, if we add the Schlecker business, 4,641 stores. It's huge. No one can say in Spain that -- or in Portugal that that's the number of stores we have in the country. And even with this 4,641 stores we are still saying what we'll be saying next quarters and years, that we have a lot of growth to come with Schlecker, with Fresh, and with our performance, especially in rural areas.

As I said in a convention here in Spain with people, with all our people around the table, "I want you," I said to them, there were a lot of people in the hall, "I want you to be convinced that one day whenever you go out of your home you will just see DIA stores everywhere." That's what we want to have in the future in Iberia.

So that's why we are still discussing some of the numbers with Diego about the potential of the DIA Fresh, the DIA Fresh operation.

But having discovered new growth opportunities in Iberia, which is the case, doesn't mean that we are not committed to continue growing, especially, specifically and as a priority in the emerging markets. Development in our emerging markets, opening new regions, opening more stores is something to which we are absolutely committed, I assure you.

So thank you very much for your time and interest, and now it's time for lunch and then the stores.

Thank you.

(The proceedings were concluded.)