

Q1/2016

Highlights

- / Strong business performance in Q1 2016, with group sales growth of 10.5% in local currency.
- / LFL "ex-calendar" of 7.0%, the highest growth rate since the company's listing, with strong double-digit rates in Emerging Markets and a sustained improvement in Iberia.
- / Adjusted EBITDA amounted to EUR117m in Q1 2016, up 5.7% ex-currency, with a 36.9% increase in Emerging Markets.
- / FX currency effect of -13.9% on net sales and -6.9% on adjusted EBITDA.

Comments by CEO Ricardo Currás

"DIA started the year on a very strong note, achieving sales growth in each of its five markets and accelerating comparable sales growth both in Iberia and Emerging Markets. The plans to improve the commercial proposition in our formats are paying off and we will continue to invest sensibly in remodelling our stores. Cash generation is a priority for us in 2016 and the interim data of the first quarter is very promising, with a significant improvement in debt evolution, which in Q1 2016 was more than EUR100m better than the average of the past five years".

Financial Summary

(€m)	Q1 2016	INC w/o FX	(€m)	Q1 2016	INC	INC w/o FX
Gross sales u/ banner	2,400.3	10.5%	Net sales	2,021.3	-5.0%	8.9%
Iberia	1,599.2	2.0%	Adjusted EBITDA ⁽²⁾	117.0	-1.2%	5.7%
Emerging markets	801.1	24.8%	Adj. EBITDA margin	5.79%	22 bps	
Like-for-like ⁽¹⁾		7.0%	Adjusted EBIT ⁽²⁾	62.3	-7.9%	-2.5%
Iberia		-0.3%	Adj. EBIT margin	3.08%	-10 bps	
Emerging markets		15.6%	Underlying net profit	38.7	-0.6%	-3.0%

(1) Excluding calendar effect

(2) Adjusted by non-recurring items

Sales Performance

Group

- / DIA Group's total gross sales under banner were EUR2.4bn in Q1 2016, with 7.0% like-for-like sales growth excluding a 0.5% negative calendar effect. This same-store growth rate is the highest ever reported by the company in the stock market.
- / In Q1 2016, gross sales under banner grew in every country in local currency.

Iberia

- / In Q1 2016 gross sales under banner increased by 2.0%, supported by the new integration of the stores acquired from Eroski that contributed EUR97.2m in the quarter.
- / Same-store sales "ex-calendar" decreased by 0.3%, with a negative calendar effect of 1.1% due to the different timing of Easter (in March this year versus April last year). Easter always has a negative impact on DIA's proximity business in Spain.
- / The comparable store selling area declined by almost 1% in Iberia in Q1 2016, and sales growth was also impacted by the different remodelling activities in progress (temporary closings in DIA Maxi, Minipreço Market and Family, El Arbol to DIA Market streamlined assortment, El Arbol to La Plaza transfers, etc.)
- / The remodelling activity in Iberia was especially intense at the start of 2016, totalling 106 upgrades in Iberia to the new DIA formats.

- / Sustained progress in the integration of acquisitions in Spain, with a strong improvement in sales at the El Arbol stores transformed into La Plaza de DIA.
- / Very strong start to the year in Portugal, with positive growth of gross sales under banner in Q1 2016 despite the ongoing promotional environment.
- / Clarel's gross sales increased by 8.4% to EUR79.9m in Q1 2016, with the same store selling area as in 2015.

Emerging Markets

- / Gross sales under banner saw an ongoing strong growth pattern with a 24.8% increase in local currency. Like-for-like sales growth increased to 15.6%, partly supported by the more inflationary scenario in Argentina. The calendar effect was 0.4% positive due to an extra day of trading in February 2016 (a leap year).
- / Business in Argentina and Brazil is still growing well ahead of that of local competitors, with respective increases of 37.1% and 15.1% in local currency. DIA is gaining significant market share in both countries (according to Nielsen): more than 13% in Argentina and over 17% in the state of Sao Paulo.
- / In China, the DIA model is proving its resiliency with healthy organic growth rates in spite of the challenging consumption scenario and a decrease in the average store selling area during the quarter.

Gross Sales under Banner

(€m)	Q1 2016	%	INC (w/o FX)	FX effect	INC
Spain	1,406.2	58.6%	2.2%	0.0%	2.2%
Portugal	193.0	8.0%	0.7%	0.0%	0.7%
IBERIA	1,599.2	66.6%	2.0%	0.0%	2.0%
Argentina	363.5	15.1%	37.1%	-53.3%	-16.2%
Brazil	381.3	15.9%	15.1%	-28.8%	-13.7%
China (Shanghai)	56.3	2.3%	4.9%	-2.5%	2.4%
EMERGING MARKETS	801.1	33.4%	24.8%	-38.7%	-13.9%
DIA GROUP	2,400.3	100.0%	10.5%	-14.4%	-3.9%

Q1 2016 Results

Sales

- / Net sales in Q1 2016 amounted to EUR2.02bn, up 8.9% in local currency with a 13.9% negative currency effect related to the depreciation of the Brazilian Real and Argentinean Peso.

Operating Results

- / Adjusted EBITDA increased by 5.7% (ex-currency) in Q1 2016, with a stable performance in Iberia and 36.9% growth in Emerging Markets. In Euros, adjusted EBITDA was EUR117m, 1.2% down versus the same period last year.
- / The adjusted EBITDA margin expanded by 22bps in the quarter to 5.8%, namely related to the good progress of the business in emerging markets.
- / Adjusted EBIT decreased by 2.5% at constant currency and 7.9% in Euros to EUR62.3m. Adjusted EBIT was negatively impacted by the increased depreciation in Iberia due to acquisitions. Adjusted EBIT at constant perimeter (ex-Eroski asset deal) and constant currency grew by 2.8%.
- / Non-recurring items increased by 1.2% to EUR16m in Q1 2016, but the non-recurring "cash" items decreased by 11.4% to EUR13.1m in the period.
- / The "Non-recurring cash items" comprise non-recurring expenses and revenues, while "Other non-recurring items" include the value of impairment and gains and losses on the disposal of assets.

Net Profit

- / Underlying net profit in the quarter amounted to EUR38.7m, 3.0% down ex-currency.

Q1 2016 Results Summary

(€m)	Q1 2016	%	INC	FX effect	INC w/o FX
Net sales	2,021.3	100.0%	-5.0%	-13.9%	8.9%
Adjusted EBITDA ⁽¹⁾	117.0	5.8%	-1.2%	-6.9%	5.7%
D&A	(54.7)	-2.7%	7.8%	-8.8%	16.6%
Adjusted EBIT ⁽¹⁾	62.3	3.1%	-7.9%	-5.5%	-2.5%
Non-recurring items	(16.0)	-0.8%	1.2%	-5.3%	6.5%
Non-recurring cash items	(13.1)	-0.6%	-11.4%	-2.3%	-9.1%
Other non-recurring items	(2.9)	-0.1%			
EBIT	46.3	2.3%	-10.7%	-5.5%	-5.2%
Net attributable profit	25.6	1.3%	-5.8%	7.8%	-13.6%
Underlying net profit	38.7	1.9%	-0.6%	2.5%	-3.0%

(1) Adjusted by non-recurring items

Review by Segment

Iberia

- / Net sales increased by 0.6% in Q1 2016 to EUR1.36bn. This growth rate is explained by the new consolidation of Eroski in the quarter and a better comparable sales performance, although it is also affected by the restructuring and remodelling activities carried out during the period and the ongoing transfer of stores to the franchised model.
- / Adjusted EBITDA was flat in Q1 2016 at EUR101.1m, with a margin over net sales of 7.5%, broadly unchanged versus Q1 2015 despite the dilutive effect of the contribution of Eroski stores.
- / Depreciation increased by 12.4% in Iberia due to recent acquisitions (EUR3.5m of the incremental D&A in Q1 2016 came from the Eroski assets). The growth rates of D&A will be back to significant lower figures in the second half of 2016.
- / Adjusted EBIT declined by 7.2% in the first quarter to EUR57.7m, reflecting a 36bps decrease in margin over net sales to 4.3%. Excluding the acquisitions, the adjusted EBIT margin was roughly flat in Iberia in Q1 2016.

(€m)	Q1 2016	INC
Net sales	1,355.5	0.6%
Adjusted EBITDA ⁽¹⁾	101.1	0.3%
Adjusted EBITDA margin	7.5%	-2 bps
D&A	-43.4	12.4%
Adjusted EBIT ⁽¹⁾	57.7	-7.2%
Adjusted EBIT margin	4.3%	-36 bps

(1) Adjusted by non-recurring items

Emerging Markets

- / In Q1 2016, net sales in emerging markets increased by 23.3% in local currency, but declined by 14.6% in Euros due to the strong depreciation of the Brazilian Real and the Argentinean Peso in the period (-25.1% and -38.5% respectively).
- / Very good progress in the LatAm activities, with particularly strong LFL evolution in Brazil.
- / Adjusted EBITDA ex-currency increased by 36.9% but declined by 9.7% in Euros to EUR15.8m, reflecting a 46.6% negative currency effect in Q1 2016.
- / Adjusted EBIT increased by 52.5% ex-currency but decreased by 16.0% in Euros to EUR4.5m.
- / The adjusted EBITDA margin expanded by 13bps in Q1 2016 to EUR2.4%, while adjusted EBIT over net sales were almost flat at 0.7%.

(€m)	Q1 2016	INC w/o FX	INC
Net sales	665.8	23.3%	-14.6%
Adjusted EBITDA ⁽¹⁾	15.8	36.9%	-9.7%
Adjusted EBITDA margin	2.4%		13 bps
D&A	-11.3	30.0%	-6.9%
Adjusted EBIT ⁽¹⁾	4.5	52.5%	-16.0%
Adjusted EBIT margin	0.7%		-1 bps

(1) Adjusted by non-recurring items

Working Capital, Investment and Debt

Trade Working Capital

- / The value of the group's trade working capital declined by 13.8% in Euros, but was 2.1% down at constant currency. The "ex-currency" decline of the trade working capital was due to the higher growth rates of the group businesses with a lower structural number of days of negative working capital: supermarkets, Clarel and Emerging Markets.
- / By the end of the first quarter, Spain was almost back to normal values of trade working capital.

(€m)	Q1 2016	INC	INC w/o FX
Inventories	599.0	1.4%	15.5%
Trade & other receivables	287.8	-5.8%	2.6%
Trade & other payables	(1,598.7)	-7.2%	4.8%
Trade Working Capital	(711.9)	-13.8%	-2.1%

Capex

- / DIA invested EUR84.6m in Q1 2016, EUR12.5m more than in the same period last year. In Iberia, the capex programme for 2016 is concentrated in the first half of the year.

(€m)	Q1 2016	%	INC	INC w/o FX
Iberia	73.1	86.4%	55.7%	55.7%
Emerging Markets	11.5	13.6%	-54.1%	-30.9%
CAPEX	84.6	100.0%	17.4%	25.5%

Net Debt

- / Net debt at the end of Q1 2016 amounted to EUR1.17bn, only EUR34m higher than at 2015 year-end.
- / The increase in net debt in Q1 2016 is much lower than the average debt increase historically reflected in the first quarter of the year. Over the last five years, the average increase in net debt seen in the first quarter has been EUR138m.
- / Q1 2016 cash-flow generation is on track to meet the ambitious cash-flow generation targets the company has set for fiscal year 2016.
- / The ratio of net debt over last twelve months' adjusted EBITDA was 1.9x. This value is in line with the ratio published at the end of 2015, which compares with a 0.2x seasonal increase of this ratio over the last five years.

(€m)	Q1 2015	FY 2015	Q1 2016
Net debt	674.0	1,132.4	1,166.7
Net debt / Adj. EBITDA LTM	1.1x	1.9x	1.9x

Balance Sheet

(€m)	31 March 2015	31 March 2016
Non-current assets	2,016.1	2,373.9
Inventories	590.7	599.0
Trade & other receivables	305.6	287.8
Other current assets	154.8	105.9
Cash & cash equivalents	196.2	106.7
TOTAL ASSETS	3,263.4	3,473.3
Total equity	382.8	345.5
Long-term debt	533.9	873.8
Short-term debt	336.3	399.6
Trade & other payables	1,722.3	1,598.7
Provisions & Other current liabilities	288.1	255.7
TOTAL EQUITY & LIABILITIES	3,263.4	3,473.3

Store Count

- / In this Q1 2016 interim report, we start to break down the number of DIA Market stores into two different categories: DIA Market and Cada DIA and Mais Perto. These latter stores correspond to smaller-than-average proximity stores with a limited assortment, located in places with a lower population density and traditionally operated under the FOFO franchised model.
- / DIA has completed a very intense quarter in terms of remodelling, with a total of 106 stores converted to the new versions in Iberia. This process has impacted sales volumes somewhat, as these stores have been closed for several weeks.
- / According to the integration and restructuring process of El Arbol, DIA closed down 38 supermarkets during the period.
- / A total of 20 Clarel stores were transferred to the COFO model in Iberia during the first quarter of 2016, bringing the total number of franchised stores to 51.
- / In Spain, the franchised store number 2,000 was opened at the end of March 2016.
- / 68.1% of the DIA stores in Emerging Markets are already operated by local entrepreneurs.

Number of Stores

	31 March 2015				31 March 2016				
IBERIA	COCO	Franchise	Total	%	COCO	Franchise	Total	%	INC
DIA Market	1,104	1,637	2,741	51.2%	968	1,822	2,790	50.5%	49
Cada DIA / Mais Perto	0	244	244	4.6%	0	290	290	5.2%	46
DIA Market	1,104	1,881	2,985	55.7%	968	2,112	3,080	55.7%	95
DIA Maxi	684	62	746	13.9%	679	90	769	13.9%	23
DIA banner stores	1,788	1,943	3,731	69.7%	1,647	2,202	3,849	69.6%	118
% of DIA banner	47.9%	52.1%	100.0%		42.8%	57.2%	100.0%		
El Arbol / La Plaza	433	0	433	8.1%	481	0	481	8.7%	48
Clarel	1,167	25	1,192	22.3%	1,146	51	1,197	21.7%	5
Total IBERIA stores	3,388	1,968	5,356	100.0%	3,274	2,253	5,527	100.0%	171
% of IBERIA stores	63.3%	36.7%	100.0%		59.2%	40.8%	100.0%		

EMERGING	COCO	Franchise	Total	%	COCO	Franchise	Total	%	INC
DIA Market	536	945	1,481	27.7%	535	1,182	1,717	31.1%	236
Cada DIA / Mais Perto	0	184	184	3.4%	0	234	234	4.2%	50
DIA Market	536	1,129	1,665	87.0%	535	1,416	1,951	90.0%	286
DIA Maxi	181	67	248	13.0%	157	59	216	10.0%	-32
Total EM stores	717	1,196	1,913	100.0%	692	1,475	2,167	100.0%	254
% of stores	37.5%	62.5%	100.0%		31.9%	68.1%	100.0%		

DIA GROUP	COCO	Franchise	Total	%	COCO	Franchise	Total	%	INC
DIA Market	1,640	2,582	4,222	78.8%	1,503	3,004	4,507	81.5%	285
Cada DIA / Mais Perto	0	428	428	8.0%	0	524	524	9.5%	96
DIA Market	1,640	3,010	4,650	64.0%	1,503	3,528	5,031	65.4%	381
DIA Maxi	865	129	994	13.7%	836	149	985	12.8%	-9
DIA banner stores	2,505	3,139	5,644	77.6%	2,339	3,677	6,016	78.2%	372
% of DIA banner	44.4%	55.6%	100.0%		38.9%	61.1%	100.0%		
El Arbol / La Plaza	433	0	433	6.0%	481	0	481	6.3%	48
Clarel	1,167	25	1,192	16.4%	1,146	51	1,197	15.6%	5
DIA GROUP stores	4,105	3,164	7,269	100.0%	3,966	3,728	7,694	100.0%	425
% DIA GROUP stores	56.5%	43.5%	100.0%		51.5%	48.5%	100.0%		

Outlook

- / In 2016, DIA expects high single-digit growth of gross sales at constant currency.
- / DIA forecasts adjusted EBITDA growth (at constant currency) in 2016, with positive contribution from Iberia and Emerging Markets.
- / The consolidated adjusted EBITDA margin is expected to be stable in 2016.
- / DIA expects to post strong cash flow generation in 2016.

Events following the close of the period

- / On 28 April, DIA notified the issue (under its Euro Medium Term Note Programme approved by the Central Bank of Ireland on 2 September 2015) of a series of Notes in the Euro market worth EUR300m with a five-year maturity. The note will pay a yearly coupon of 1.00%, and was issued at a price of 99.424%, with a 1.119% re-offer yield.

- / On 22 April, DIA's Ordinary General Shareholders' Meeting was held at second call. In this general assembly, the DIA shareholders approved each proposed resolution under each of the items included in the Agenda and which were notified to the National Securities Market Commission by the corresponding Relevant Fact, dated 17 March 2016.
<http://www.diacorporate.com/en/shareholders-investors/general-meeting/>

- / On 22 April, Mr Pierre Cuilleret communicated the resignation from his position as director due to professional commitments.

Corporate Calendar

Event	Date	Status
EUR0.20 dividend per share distribution	Thursday, 14 July 2016	Confirmed
Q2 2016 earnings release	Wednesday, 27 July 2016	Confirmed
Q3 2016 earnings release	Tuesday, 25 October 2016	Tentative

Change in currency rates

Period	€ / Argentinean Peso	€ / Brazilian Real	€ / Chinese Yuan
Q1 2015 average	0.1023	0.3109	0.1425
Q1 2016 average	0.0629	0.2329	0.1387
Q1 2016 change ⁽¹⁾	-38.5%	-25.1%	-2.7%

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

Glossary

- / **Gross sales under banner:** total turnover value obtained in stores, including indirect taxes (sales receipt value) in all the company's stores, both owned and franchised.
- / **Net sales:** sum of the net sales generated in our integrated stores and sales to franchises.
- / **LFL sales growth under banner:** growth rate of gross sales under banner at constant currency of the stores that have been operating for more than thirteen months under the same business conditions.
- / **Adjusted EBITDA:** operating profit after adding back restructuring costs, impairments, re-estimation of useful life and gains/losses arisen on the disposal of assets and depreciation and amortization of fixed assets.
- / **Adjusted EBIT:** operating profit after adding back restructuring costs, impairment and re-estimation of useful life and gains/losses arisen on the disposal of assets.
- / **Underlying net profit:** net income calculated on net profit attributable to the parent company, excluding non-recurring items (restructuring costs, impairment and re-estimation of useful life, gain/losses on disposal of assets, tax litigations, exceptional financial expenses and equity derivatives), discontinued operations and the corresponding tax impact.
- / **Reported EPS:** fraction of the company's profit calculated as net attributable profit divided by the weighted average number of shares.
- / **Underlying EPS:** fraction of the company's profit calculated as underlying net profit divided by the weighted average number of shares.
- / **Cash from Operations:** adjusted EBITDA less non-recurring cash items less recurrent Capex.

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