

26th April 2019

DIA Group Trading Update Q1 2019

On 9th April 2019, in the context of the Voluntary Tender Offer ("Offer") launched by L1R Invest1 Holdings S.à.r.l. ("LetterOne") over all the shares of Distribuidora Internacional de Alimentación, S.A. ("DIA" or the "Company") not already held by LetterOne, the Board of Directors issued its formal report (the "Report") where it expressed a favorable opinion with respect to the Offer.

In Section 8.1 of the Report, the Board highlighted that one of the fundamental and immediate problems that the Company was facing, was the need to revert the downward trend which was affecting the performance of the business, mainly resulting from the negative impact caused by the uncertainty about the financial situation of the Company, as evidenced by the 4.3% decline of the comparable sales (*Like-for-Like*) on a consolidated basis recorded in the Q12019, showing progressive deterioration during the period.

On 17th April 2019 LetterOne extended the deadline for the acceptance period of the Offer from 23rd April to 30th April.

In light of such extension and of some preliminary information becoming available to the Company about the evolution of its business and operations during the first quarter of 2019, DIA is reporting the following estimates regarding its consolidated financial information for the three month period ended 31st March 2019 (unaudited data)¹ ahead of the publication of its unaudited financial information for such period scheduled for 14th May 2019.

Financial summary (€m)	<i>Unaudited figures</i>	
	Re-estimated (*)	Estimated range
	Q1 2018	Q1 2019E
Net sales	1,792.9	1,615 - 1,715
Operating income (EBIT)	(6.1)	(115) - (125)
Net attributable profit	(16.3)	(140) - (150)

(*) Applying IAS29 hyperinflation adjustment of Argentina and integrating CDSI to the Q1 2018 figures as re-expressed in the 2018 Annual Accounts

¹ The consolidated financial information included in this document is preliminary, based on estimates and is still subject to the appropriate completion of the Company's financial and accounting closing controls and procedures. This summary information does not constitute an exhaustive description of the consolidated financial results of DIA for the three month period ended March 31st, 2019. Accordingly, the final consolidated financial results for this period (which are expected to be published on May 14th, 2019), may differ from the estimates presented in this document due to the completion of the financial and accounting closing controls and procedures of DIA and other related adjustments, as well as to the effect of other events that may occur between the date of this Note and the time when the corresponding quarterly consolidated financial results are finally published.

Net sales

The evolution of Comparable Sales (*Like-for-Like*) in the Q1 2019 (both month-by-month and for the full Q1 2019), also compared to the Q4 2018 figure, show and confirm the negative trend and the progressive deterioration during the period already anticipated in the Board's Report. The details are as follows:

Like-for-Like	Q4 2018	Jan-19	Feb-19	Mar-19	Q1 2019
DIA Group	-3.4%	-1.6%	-3.2%	-7.9%	-4.3%

This downward trend is primarily driven by the negative impact that the uncertainty surrounding the Company's financial situation has had on our suppliers.

The release on 8th February 2019 of the Company's 2018 Annual Accounts (showing negative shareholder's equity and triggering a short-term dissolution threat), together with other factors such as: near-term debt maturities and refinancing risk, uncertainty around the outcome of the then-forthcoming Annual Shareholders' Meeting held on 20th March, rating agencies' comments and overall headline noise, led to a negative public perception around the Company that, amplified with sharp risk-cutting decisions made by trade insurance companies at that time, resulted in a level of supplier tightening that started to impact negatively the supply chain, resulting in a substantial increase in the out-of-stock levels in our warehouses and stores, which ultimately translated into lower sales.

Even though this situation peaked in March, and still subsists in April, the eventual combination in the short term of: (i) a successful completion of LetterOne's Offer, (ii) an agreement between LetterOne and the Lenders on the long term refinancing of the syndicated financial indebtedness, and (iii) the completion of the announced EUR500m capital increase, should improve the Company's capital structure and therefore help mitigating the uncertainty that caused this supplier unrest and could provide the basis for the commercial turnaround of the Company.

Operating Profit (EBIT)

The very substantial decline showed by Operating Profit (EBIT) is attributable roughly on a 50%/50% basis to the following items:

- Ordinary business – Where approximately two thirds of the negative impact stems principally from the drop in commercial margin resulting from the combination of: (i) the overall sales decline (with negative price and volume effects), and (ii) the short-term upfront negative impact related to some strategic initiatives (i.e.: increasing the frequency of product delivery to stores, or improving sales of fresh products) which, however, are expected to drive incremental sales and client traffic in the medium to long term.

The remaining third of the negative impact relates mostly to: (i) the increase in labor costs associated with the de-franchising process (COFO to COCO) which is being carried out in Spain and Brazil to improve store performance (which is expected to have a positive contribution in the medium to long term), (ii) the higher rental expense resulting from the sale-leaseback agreements entered into in the recent past, and (iii) higher OPEX resulting mostly from utilities and maintenance.

- Extraordinary one-off items – The most relevant of which being: (i) the EUR39m provision for the total estimated cost of the Redundancy Plan affecting ca. 1,600 employees, and (ii) the ca. EUR10m of total advisory fees incurred related to: financial and corporate advice, auditors, legal, forensic services, strategy consultants, and the preparation of the EUR600m capital increase, which was submitted to the approval of the shareholders at the Annual General Meeting held on 20th March 2019.

Net Financial Debt

Net Financial Debt at 31st March 2019 (excluding IFRS 16) reached approximately EUR1,702m, which represents an increase of EUR250.4m in the Q1 2019 vs full-year 2018 figures.

Negative Shareholders' Equity

As a result of the losses recorded in the Q1 2019, the negative Shareholders' Equity of the parent company (Distribuidora Internacional de Alimentación, S.A.) increased to an estimated range of EUR170m to EUR180m as of 31st March 2019 (vs. EUR-99m as of 31st December 2018).