TRANSCRIPT'S RESULTS Q3 2013

DAVID PEÑA: Hello. Good afternoon everybody, this is David Peña, Head of Investors Relations of Dia. First of all I want to thank all participants joining us in this Q3 2013 results conference call and web cast presentation. The call will be hosted by ... Ricardo Currás and Amando Sánchez, who will explain the results in a presentation that will last around 20 minutes. After the presentation we will open the Q&A session. We will start with the telephone questions, followed by the questions through the web I hand now the word over to Ricardo to start the calls. Ricardo you have the floor.

RICARDO CURRÁS: Thank you David and good afternoon let me welcome you to this Q3 2013 results webcast. Thank you for your presence. Q3 2013 has been again a good quarter for the year in a challenging environment. In Iberia, we have continued to grow our business in a profitable manner with a well-executed plan of targeted openings based mainly on the franchise model that allows the year to grow profitably in markets with no underlying growth. Despite the first signs of a recovery in the economic environment, we remain cautious about the short-term underlying growth prospects of the market, while we continue to see new opportunities for profitable growth through expansion.

Our performance in Brazil, Argentina and China has been remarkable again. We are celebrating these days the opening of the first Dia store in the state of Minas Gerais in Brazil, enlarging our growth potential for the company in the near future. In mid-November and after a successful phase of integration, we will open the first of the Schlecker stores transformed to the new banner: Clarel. Our teams have worked in the past nine months to create a new concept that builds on the strengths of the existing store, to become the preferred specialist for the needs of beauty, home and personal care products. To conclude, we remain confident of our ability to achieve our targets for the year and the hard day-to-day work of our teams allows us to be optimistic about our potential in the mid-term. I would like to highlight the outstanding performance of our team in Brazil. We have been growing for many quarters well ahead of the market and any of our peers, with 23.1% sales growth in the first nine months of the

Minas Gerais, with a larger extension than Spain, is the second most populace state of the country, home to more than 20,000,000 people and Belo Horizonte, its capital, is the third largest metropolitan area of the country. Some weeks ago Dia started to operate the third distribution centre in Sao Paulo state, a new facility ready to impose our operations in the northern part of the State in the new future in Minas Gerais, too.

Confident of our good start, mid-term success in these new areas, we confirm our decision to open an additional new region in Brazil in 2014. Dia Brazil has become the fifth largest grocery retailer and by far the fastest growing in the country. Our estimates for sales under the banner in 2013 are for costs to achieve 4.6 BRL billion. We have a significant market share in the state of Sao Paulo, a market where we can still grow and we have added to new regions – Rio Grande do Sul and Minas Gerais – in less than 24 months.

Moving to Slide number 5, in Iberia we have continued to grow our business in a profitable manner. Let me bring an example of how we continue to achieve profitable growth in Iberia. The picture on the left shows an urban area of Barcelona where we operated three stores until 2013 with positive sales like for like of 2% and an accumulated market share of 6.4%.

A few months ago we had the opportunity to open a new store at a good and affordable location, in the middle of the existing ones. The results: the new store has done very well in terms of sales, driving the like-for-like sales of the existing ones into negative territory. The accumulated market share in the neighbourhood increased by 100 basis points, captured from other players. More EBITDA and higher expected return for Dia in this area. On Slide number 6 you can find a brief summary of the Turkish operation disposal. Something that was announced some months ago but was closed in an effectively registered and executed last 1st of July. Dia, holding 60% stake of the capital got again gain of 48 million Euros in the transaction, which will reflect in the Q3 2013 financial statements as an income derived from discontinued activities. With a closure of the Turkish operation, Dia reinforces its position for the coming years in profitable markets, leaving a country where the company never achieved positive EBIT figures and had few chances to succeed. Let me now highlight how relevant the franchise contribution is as a key driver of growth and value for Dia. We added 403 FOFO and

COFO stores to our network over the last twelve months, and from September we started to test our first franchise stores in Schlecker, as of September 30 close to 2,700 Dia stores (44.5% of the network, excluding Schlecker) we run by local entrepreneurs. Our franchisees represent the best of our company and our values in our six local operations, we are absolutely convinced that the combined efforts will allow us to continue to satisfy the needs of our customers while expanding our business in a profitable manner.

Nine months after integrating Schlecker in our perimeter, we present Clarel. The new banner for Schlecker. Mid-November we will transform the first Schlecker stores to the new banner. Clarel is the new concept to become the preferred specialist for the needs of beauty home and personal care products. The new store model will allow our customers more freedom of choice, in a modern environment with an enlarged store offer of exclusive multi-brand private label SKUs that together with the leading brands of the market will bring the best quality products with the best prices of the market. With the new banner in place, we will start the organic expansion in the areas of the country, both Spain and Portugal, where we are still not present. Our expectation is to almost conclude the remodelling of the network right before the end of next year. Now I hand over the word to Amando to cover the financials.

AMANDO SÁNCHEZ: Thank you Ricardo. Good afternoon everyone. In the first nine months of 2013, gross sales under banner achieved 8.58 billion Euros, a growth of 7.6% in local currency. The growth rate in Euros was negatively affected by the strong appreciation of the Euro against the Argentinean peso and the Brazilian Real in the period. Adjusted EBITDA reached 439.6 million Euros, which implies a 4.4% increase. While adjusted EBIT rose for the first nine months of the year by 11% to 245.3 million Euros. Finally, underlying that profit achieved 141.9 million Euros, 10.6% higher than the first nine months of 2012. Let's turn now to the detailed figures of Q3 on Slide number 11. Let me remind you that in accordance with IFRS5 our activities in Turkey and Beijing are discontinued and the 2012 P&L figures have been repressed accordingly. Gross sales under banner reached 2.92 billion Euros in Q3, 2013. 2.5% higher than in the same period of 2012.

Adjusted EBITDA stood at 165 million Euros, 4.3% higher than in 2012, while adjusted EBIT was up

8.7%. Operating margins continued to improve supported by four main factors, first productivity improvements, second the progress of the franchise model, third the positive contribution of the introduction of Schlecker from February 1st. And fourth, a lower depreciation charge throughout the business. Non-recurring expenses are significantly higher in the quarter, but they are almost entirely attributable to the integration of Schlecker.

Turning to Slide number 12, net attributable profit in the quarter was 95.9 million Euros. A 92% increase over 2012, which is almost or significantly attributable to the booking of the 47.5 million profits related with the sale of 60% stake in DIASA, which was booked on July 1st 2013. Underlying profit stood at 58.3 million Euros. 4.5% higher than in the same period of 2012, leading to a growth of 10.6% in the first 9 months of the year. The effective tax rate stood at 35.2%, fully in line with the 35.5% rate booked in the same period last year, with financial expenses almost in line, once adjusted for the effect of the equity swap in 2012.

We will now take a look at the sales performance by geographic segment, in Slide number 13. Gross sales under banner in the quarter achieved 2.92 billion Euros. A growth of 8.5% in local currency and a negative currency effect of 6 percentage points, due to the strong depreciation of the Argentinean peso, 28.3%, and the Brazilian Real, 19.5% versus the previous year.

By segment, emerging and Iberia contribute significantly to sales growth, while France saw losses of 54.3 million Euros, versus the same quarter as last year. With regards to calendar effect, Q3 2013 had a positive impact in every segment, but not relevant in any of them.

In Slide number 14, as we anticipated in previous quarters, we can see how new openings are contributing more to the top line growth of the company, while same-store sales growth remains positive, led by our performance in emerging markets. The consolidation of Schlecker represents 3.1 percentage points of growth, while an additional 4.6% came in the quarter from our grocery formats, Dia Market and Dia Maxi.

We will now look at the detail of each segment in the quarter on Slide number 15. In Iberia, gross sales under banner increased by 6.5% to the figure of 1.59 billion Euros, while same store sales decreased by 2.7% in the quarter, we have been able to continue to grow the business and our profits. Three main factors explain the positive evolution of our margins in Iberia.

The reduction of our distribution costs, driven by both operating efficiencies and the progress of franchises, successful integration of Schlecker, which is performing ahead of our initial estimates, and finally a successful and profitable expansion.

Turning to slide number 16, in emerging markets Dia maintained a very dynamic performance in the quarter with gross sales under banner growing by 26% in local currency, but only 3.6% when translated into Euros. A like-for-like of 14.7% in the quarter represents a continuation of the very dynamic environment we are seeing in all our markets in the segment. In the first nine months of the year, adjusted EBIT achieved 25 million Euros, up 23.1% versus last year. Despite the acceleration in the number of openings, Dia was able to achieve a 13 basis points expansion in its EBIT margin in the quarter. As you can see in slide number 17, France maintained a performance in the quarter which is in line with the first two quarters of the year. Same store sales declined again by 8.8%, broadly in line with the first half of the year. Adjusted EBIT was negative for the first nine months of the year with a margin contraction of almost 140 basis points.

On Slide number 23, you can see the quarterly evolution of adjusted EBITDA by segments and how our EBITDA is growing in our key markets. I will highlight the 40.7% growth of EBITDA in the emerging market segments when considered in local currencies. Dia's capital expenditure in Slide number 19 achieved 80 million Euros. A growth of 20% for a total investment of 233.9 million Euros in the first 9 months of the year. Dia continues to concentrate its efforts on openings, a 39.1% increase in the period and its key regions with almost 40% of CAPEX growth devoted to emerging markets. In addition to the recurrent capital expenditure, Dia invested 67 million Euros in the acquisition of Schlecker.

Leverage remains low at 1.2 times adjusted EBITDA over the past 12 months, however net debt was higher and stood at 792 million Euros, due to the negative cash flow generation of trade working capital in the quarter, a higher dividend distribution than last year and the cash outs or the increasing debt related with share buy-back programmes. I will now turn the call back to Ricardo for some closing remarks.

RICARDO CURRÁS: Thank you Amando, before opening the Q&A session, let me remind you of our key priorities for 2013. Our first priority is to grow faster, especially in our key regions and in particular in Brazil, in Spain, supported by a profitable and dynamic expansion policy. In October 2013, we launched our third region in Brazil: Minas Gerais, and we wanted to reiterate today, that in 2014 there will be another region in the north of the country with a partnership with a local master franchise. Definitely, our plan is to accelerate expansion in this vast country. We will further strengthen our model, becoming more specialist in price and proximity. Clarel is a new step forward in this direction and everyday with one obsession in mind, capturing more efficiency gains to improve our competitive position. Let me remark again, we remain confident that these are the right priorities to achieve our ambitious profitable growth agenda and our target of double digit underlying earnings per share. And now we will be happy to take all the questions you may have in the Q&A session. Thank you very much.

OPERATOR: Good afternoon Ladies and Gentlemen, the Q&A session starts now. If you wish to ask a question, please 01 on your telephone key pad. Thank you.

First question comes from Eduard Aubin from Morgan Stanley. Please go ahead Sir.

EDOUARD AUBIN: Yea, good afternoon, Ricardo and Amando. Just to follow up on the focus on growth type of agenda, if you look at IBERIA, your store network, your total store, number of store holders falls completely flat between 07 and 11, you're now growing your store network from by around 4%, ex-Clarel. Do you think you're going to be able to maintain that growth rate in the medium term, do you see a lot of appetite from franchisees to open new stores in Iberia? And regarding Clarel, you had talked about you know, potentially doubling your store network in Iberia in the medium to long term, you know, how years away are we from that materializing? And finally, on Brazil again, the store network, could you give us a sense you know of how many stores you're going to have open this year at the end of the year and what are your projects for 2014?

RICARDO CURRÁS: Good afternoon Eduardo. Thank you for your questions. I will take them all. First of all, they are all related with expansion, which is as I've just mentioned, one of our key priorities in of course in our key regions, which are as you mentioned Iberia, specifically Spain and Brazil. In Spain, we are still opening a good number of stores, as we are doing in Portugal, because we have still many small populations to cover, and we will continue to do that in the next one to two years. Apart from that we will start immediately, as you mentioned, the expansion of the Clarel banner in the rest of Spain and Portugal, because half of Spain is not covered, so we expect to be opening something between 150 and 200 stores per year, when we start to be at maximum speed in the next year. So that means that in five years, six years maximum, we should be covering the whole territory, because we can have around 2000 stores I think in Spain and around 200 to 300 stores in Portugal. But these are not the only opportunities we have in Spain, you know that we are working hard on our fresh opportunities, we are still working on that, we are looking also at the market because there are some consolidation opportunities today, and we are looking at all of them, so we really are very, very, very concentrated in obtaining the best from our expansion over the next few years, in Iberia. In Brazil, it's the other priority for expansion. We will open more than 100 stores this year. 100, probably five, ten stores at the end of the year, around, and we will open even more stores for the next two years, around 120 to 130 stores per year, because when you are opening a new region you can go a little bit faster. So, that means that we will assure our target of more than 20% increase of sales per year for the next few years, which is I think a very good target for a business in Brazil, taking into account what our peers are doing. As I mentioned, we are doing much better than them in terms of sales increase. We expect to continue doing it better than our peers, because I think our expansion plans are probably the best in the country today, as we are present in many regions and we will pass in two years, three years, from one region to four regions, so the opportunities are very clear. Next question please.

OPERATOR: Next question comes from Jaime Vázquez, from JP Morgan. Please go ahead Sir.

JAIME VÁZQUEZ: Hi good afternoon all. I've got three questions. The first one on Iberian sales. I think in the last call, you mentioned that July had been strong or at least you were happy with July. But you know, you probably stayed at minus 2.7 for the full quarter, and I was wondering if you can explain what happened in August and September. Specifically, I would be interested in what the evolution of traffic is within like-for-like and whether you consider that Dia has lost some competitiveness this year, compared to last. So that's a question on Iberian sales. The second one is on France. Profits are falling rapidly, I was wondering if you can provide, like last time, some colour on the differences by region between the north, Paris and the south and what your progress is in finding a solution or a partial solution for the north. I think that last time you mentioned that you were no longer investing and potentially closing the (unknown) centres as an indication of your plans for the north. So and update on that would be useful. And finally, the third question is, in the last call you mentioned that were comfortable with consensus EBITDA of 650. I was wondering if you can reiterate that confidence. Thank you.

RICARDO CURRÁS: Excuse me. Good afternoon. Can you repeat the third question. Because we have not understood them.

JAIME VÁZQUEZ: The last call you mentioned that you were comfortable with consensus EBITDA estimate of 650 million for this year. I was just wondering if you remain happy with that estimate. Thank you.

RICARDO CURRÁS: So I will take the two first questions and leave the third question to Amando. First of all the sales in Iberia and particularly in Spain. Yes, you are right, July was a good month, you have to take into account that July had one more business day, so that means that of course July, was in that sense, a good month and, apart from that, it was a good summer month. The months of August and September have been in line with our business in the previous months, you have to take into account also that from September on, we start to have a comparable in which the VAT increase is not anymore there, because it was increased in Spain last year in September, so we will have less inflation in the coming months, in sales, as VAT increase is no longer there. When we are looking at our competitiveness in Spain and Portugal, I have to say something very clearly: I think we have a very good level of competitiveness today. Something that I like to look at very carefully, I assure you, and as we have a short assortment I have many prices in mind, and I can tell you today that our price index is very well positioned against our peers and what we want to do in the last quarter is to reinforce even more our promotional activities. We will do promotional activity, we will be important in the last quarter of the year, as we have a very good trend, as you have seen, in sales and in profitability in Spain and we think that it is worth starting the year well by increasing, by doing more aggressive promotional activity in the last part of the year. Let's speak now about France, as you mentioned, we were looking at our French business, from a regional point of view, and that is still happening. But let me speak more widely about France, if you allow me. You know that we have been speaking about that for quarters. It's a highly competitive market, where as you know all these counters are suffering and so do we. And we are not happy with our performance in France, as you imagine, the numbers are not good, in spite of our efforts to strengthen competitiveness, we do not expect a better performance in the short term. So, we are not only looking at France from our point of view, but also actively opening all alternatives and working on them to preserve the future of the business in France, because as you see today, with this negative like-for-likes, this must be our first priority, so I repeat we are actively opening all alternatives and working on them today.

Amando, please.

AMANDO SÁNCHEZ: I remind you that the figure we have said to be comfortable for the entire 2013 EBITDA consensus was based on a constant rate, since the last call there has been a significant depreciation of two currencies that contribute significantly to the EBITDA of the company, i.e. Argentina and Brazil. But definitely, we remain very much in line with our statement of the second half of the year. And of course very much in line with growth of 10% in earnings pressure that we are achieving so far throughout the year.

OPERATOR: Next question comes from Arnaud Joly from Société Générale. Please go ahead, Sir.

ARNAUD JOLY: Yes, good afternoon, Ricardo and team. Maybe three questions from me. One question on Spain. I mean the Spanish market seems to stabilize. When do you expect like-for-like sales strength may improve, and can you give us some flavour regarding recent market year trends in Spain? Second question on Iberia again, you continue to deliver impressive operating performance, partly driven by franchise. What is the maximum level of EBIT or EBITDA margin you believe it reasonable to have? And one last question on the emerging markets, you are able to improve profitability despite the acceleration of the openings, so where does this improvement come from?

RICARDO CURRÁS: Thank you very much for your questions. I will try to answer them. So first of all Spain. Well I want to repeat what I said before. We think we are happy with our sales trend and our market share trend in Spain. You know that the market has a negative underlying growth, because consumption is still very weak and we probably continue to be weak in the future, and as we explained in the presentation, when you look at what we are doing in the Spanish market, which is densifying even more our regions, our areas, you also can cannibalize in some way your own stores, which doesn't mean that will not obtain better results as a result, because as you have seen as you have mentioned, our EBITDA and EBIT margins continue to grow and continue to grow quite fast. It is difficult to say we will be increasing even more our EBITDA and EBIT margins in the future, because I always say the same and you have listen to me repeat exactly the same things in the last few quarters and we continue increasing our EBIT and EBITDA margins, because we think that it is possible, otherwise we wouldn't be doing it. But let me tell you something about the prospect of profitability in Iberia. We think that we should work as much as possible to continue increasing our profitability in Iberia, through volume increases, because we have already a level of EBITDA margin and EBIT margin which is clearly over any other peer in the country, and probably one of the best in any other market. And, we believe that with these numbers we will concentrate all our efforts in continuing to increase our profitability, but through volume, through more sales and, as I explained before, we have some ideas to do it, both in organic growth looking at opportunities in the market with the Clarel banner and so on. Now I want to speak about the emerging markets which was the other question, the good news from the emerging markets, the good news from China, even if it is tiny, the good news from Argentina, the good news from Brazil, is that we are doing very well in terms of sales, like-for-like is growing over inflation and it is growing even over our PS, quarter after quarter, and that means that gives us some opportunities in terms of gains of efficiency that we are profiting, and from my point of view, even if we will maintain a good level of expansion, even a more aggressive expansion in the next quarters, we will be able to continue increasing our EBITDA margins in all these regions, because we have already proved that this is possible. Let me just give you an example, in Brazil we are opening this year, one region, Minas Gerais; we were opening a few months ago another region, Rio Grande do Sul. We are opening more than 100 stores and still gaining an EBITDA margin in the country, so clearly we have already demonstrated that this is possible and we expect that this will continue to be like that, which means that when you look at our total portfolio, and it is interesting, because even if it was not your question, but I think it is interesting to underline, is that more and more, our profitability comes from the emerging markets, more and more. And less and less our profitability comes from the regions in which we are suffering, particularly from France, which means that when you look at our growth in Iberia, when you look at our growth in the emerging countries, when you look at our plans in the mid-term, we are very confident of continuing to grow profitably in the future.

OPERATOR: Next question comes from Filipe Rosa from Espiritu Santo Investment Bank. Please go ahead Sir.

FILIPE ROSA: Hi. Good afternoon everyone, I have three questions if I may. The first one, sorry to come back to the margin in Iberia. Just for us to have an idea, could you tell us what has been the margin at least of the EBITDA levels for the total stores, for us to have an idea of what could be the underlying performance from your own stores? My second question is regarding Argentina, saying that you're paying earlier. Are you having any EBITDA margin at least from paying earlier and could you quantify that? And, finally, you mentioned this cannibalisation impact that you see when you're expanding in Spain, could you quantify that as well in terms of the impact on your like-for-like in the first nine months in Iberia, which has lacked the overall performance of the full market, both in Portugal and in Spain? Thank you very much.

RICARDO CURRÁS: Thank you Phillipe for your questions. Well, I will try to address the three of them. First regarding your question on margins in Iberia and what is the old store versus new store contribution, that is something we can not disclose in that detail, what we're saying in general, the result of new openings and new expansion is being positive, of course. Every new store normally doesn't start at its run rate, or its normal rate down the road. What we are saying is yes, the contribution of new expansion is positive and we are seeing those, those expansions those openings contributing positively to the overall PLN account. In Argentina, I am not sure I completely understood your questions, but regarding what has happened there, with our margins, yes, there's been an improvement and yes, part of it might be attributable to the fact that we have negotiated conditions with suppliers, related to the payment periods. With thought it was a good use of our cash in Argentina to add stock, and to negotiate payment term to suppliers as a good way to preserve cash, but I can tell you that margins improved overall as well in Brazil, and that the general underlying trend is positive anyway. And finally, your question on cannibalization, I don't think we have explicitly mentioned cannibalization as something we are seeing in Iberia in general. What we tried to achieve was to explain that sometimes like-for-like is not the only driver of growth in the market, expansion is significant and in times of an underlying market which is flat, and which will probably remain flat for some time, even if the economic situation improves, targeted expansion is a good way of achieving things. Sometimes of course, or we try to minimize cannibalization as much as we can but in certain cases, as the one we've shown, we can have a very positive expansion. We can have an expansion which is clearly (unknown) while that might not be in the best situation for like for likes, or we might achieve that without achieving positive like-for-like.

OPERATOR: Next question comes from Cedric Lecasble from Raymond James. Please go ahead, Sir.

CEDRIC LECASBLE: Yes, good afternoon, I have two follow up questions on Spain. Could you first help us, remind us, explaining the main differences to us between the Clarel concept and the previous Scheckler concept? What is changing most and what are the big innovations with Clarel? And the second question on profitability. What has been the positive impact, overall impact on the profitability of Spain as integration of Schlecker so far? We believe it was quite positive, but could you help us a little bit? And what are your overall expectations in terms of improving profitability with Clarel versus the old format? Thank you very much.

RICARDO CURRÁS: Thank you for your questions. The first question is about Clarel and Schlecker. Well, I think the best thing I can tell you is please, if you have the opportunity visit our Clarel stores when they are open from 15 Nov. because you will see that they have changed completely from our previous Schlecker banner. Of course, it would be much better if you had visited a Schlecker store before, because you will be able to compare one with the other, but let me give you some colour of what will be the changes in the new banner. The first change is modernization, if I have to say Schlecker has been a company which nothing happened in terms of investments for many years. One store was opened and then nothing changed in the following years, which means that we will completely update our concept. It will be modernized and the environment for the customer will change completely. And we have been working very hard on the environment and the way in which we present the products in Schlecker... in Clarel, sorry, and I think you will find not only a big different with Schlecker, but a big difference also with the other competitors in the market, which is for us the most important thing today. From that point of view, so modernization and completely revised environment, which will make it much more of a pleasure to buy for a customer. The second main change is about assortment. The assortment will also dramatically change. We will clarify the different categories, which today are a little bit mixed, and they are not very clear in Schlecker. We will clarify which categories we want to offer as priorities to our customers. And, as we mentioned, it's in beauty, health, home and personal care, where we are going to focus; but not only on these categories, you will also have pet food, you will also have baby food, and a good number of healthy food SKUs, so also our focus on the healthy food development, which is by the way the actual assortment of Schlecker, but as I said we are going to clarify that. The third main change is about the private label. We are going to start a multibrand private label strategy in Dia and in the last nine months we have been working very tough, to be able to have around 400, more than 400 SKUs in the store, especially in beauty care products, also baby food, also pet food, in order to present to our customers exclusive ranges of products that you will not find anywhere else, and of course having the best relation of quality price in our stores, because apart from being in the most modern store in this category, the customers will see that we will have the best prices for these categories.

AMANDO SÁNCHEZ: Thank you, Frederic, I will address the second question regarding the effect of the integration of Schlecker in the numbers in Iberia. Yes, as we said during the call, there has been a positive contribution in the first nine months of the year, since the consolidation of the business, on Feb. 1. The business is performing ahead of our expectations when we announced the acquisition back in September 2012. It is true that part of these improvements is due to one of the due to the integration at the beginning of the period. What I think is more relevant just not just the performance of this seven months since we integrated into the company, not so much the contribution to this seven months, but really the potential of the concept. The take out is clearly positive in terms of being able to achieve higher margins than we anticipated, even if you consider those one off, but I think the important take out here is the growth potential of the format, and for a format with a growth margin that is significantly higher and with a low level of cost, what is more relevant for the future is both our ability to grow our sales once we implement the investments associated with the rebranding to Clarel and the potential of growth in the rest of Iberia. We have normally referred to these as the opportunity to expand the business to the other half of the Peninsula where the concept is not present and I think that is the most relevant opportunity going forward.

OPERATOR: Next question comes from José Rito from BPI. Please go ahead, Sir.

JOSE RITO: Yes, hi, good afternoon. Three questions for me. The first one related with France. Just to understand a little bit more your expectations regarding these units, it seems reverting to your conference call, you mentioned that you're starting to look into these regions and to these markets, basically defining three regions in the focus for the areas, Paris, in the south, so basically do you maintain a pan-European approach, maintaining the more (unknown) part of the business, but it seems now that after these Q3 results, you are saying that these openings is open to all alternatives for France.

Should we see these as a possible (unknown) these markets or not? This is my first question. The second one regarding view and the fourth region and the fact that is should be developed through multi-franchising. What should be the implication from these? Should we assume a faster roll out or not, in terms of the number of new stores when compared with other new regions such as, for instance, (unknown)?, should with the multi-franchising the roll out be faster, and should also the evolution in terms of margins be lower as well? This is my second question. And the third one, related also with the emerging markets in the margin of evolution in this quarter. If you can go into a little detail in this 40 percent point increase that you had? What was the impact that came in from Brazil, Argentina and China, basically? Thank you.

RICARDO CURRÁS: So, thank you very much for your questions. Yes, I will try to repeat again what I said about France. You're right. We said last time that we were looking at our business in France from an original point of view, we have been looking at it but now what I'm saying is, that we have gone a step forward and we are today actively opening up all alternatives, working on them to preserve the future of the business in France, because as you have seen, our trend is not positive and we have to focus on that, on the different possibilities to fix the situation.

AMANDO SÁNCHEZ: Good afternoon, José, I will address the other two questions. Regarding the potential of new regions in Brazil and the fact that we are now working to start the first region of our master franchise, of course master franchise is becoming an increasingly attractive opportunity and we hope that we can make (unknown), we are confident on our ability to make these (unknown) a success for a new region and this will only help us, not only with expansion of new regions, but even some remote or more remote locations in existing regions that we might not be able to address fully with our own network of stores. So, it is probably a bit early to say that this will allow a much faster growth and that this will mean a lower dilution of margins as we move forward. I think it is also positive to say that we have so far been able to improve margins, in spite of the acceleration of growth and master franchise will be helpful for that. Whether or not this can be multiplied or repeated in many regions in the short term is probably a bit too early to say, but it is a step in the right direction, no doubt. And your last question, the quality of the sound was not very good, so forgive me if I'm not giving the right answer, but I understood that you were referring to the net profit contribution from every segment and particularly the emerging market segment and yes, definitely, the underlying net profit is improving both in Iberia and emerging markets and it is doing so faster in emerging markets led by Brazil and Argentina and obviously France is negative versus last year.

OPERATOR: Next question comes from Sreedhar Mahamkali from Macquarie. Please go ahead.

SREEDHAR MAHAMKALI: Yes, good afternoon all. Three questions as well please, all on Iberia. Starting with the like-for-like, I think Ricardo you were optimistic that second half run rate for like-for-likes would improve when we spoke of the time of Q2. It hasn't been the case so far. You helpfully referred to the cannibalization issue in the presentation, but I'm hoping that's not the full answer to the like-for-like performance, given that you'd already known about potential cannibalization in Q2, unless in-cannibalization has actually accelerated, if you can say, if that's the case then that'll help, or perhaps if you can give us an idea of what the market has done in terms of food sales in the first nine months of the year in Iberia or Spain, as you've got better debt there? That's the first question. Secondly, you've thrown in for good measure some cautious comment around near-term trends. Should we then assume basically Q4 is trading at least at the same level as Q3 without any improvement, which seems to be at odds with what some of your peers are suggesting in Carrefour and Metro, whose numbers seem to suggest an underlying improvement. And Jaime was trying to touch on this issue also. Is it possible that you're losing some of the traffic as customers are at the margin going back one more time to hypermarkets? That's the second question. And the third one, finally, take a step back a look at EBITDA delivery in Iberia this year so far, it's been driven by marginal improvement and less by like-for-like sales growth, and given your comments about focusing on growth in 2014, potentially higher promotional investment and your caution, should we be thinking 2014 EBITDA would be the other way around, as in stronger like-for-likes, but a potential dilution of EBITDA margin in Iberia. So those are the three questions, thank you.

RICARDO CURRÁS: Thank you for your questions which are again about what is happening especially in Spain. I will try to be more specific. The first statement you made is about like-for-like sales in Spain. At the beginning of the year, I thought that probably in the second part of the year would be able to improve a little bit more our like-for-like trend. I always say as you remember that this year like for like would be very tough and probably negative, but still I was more confident about improving like-for-like in the second part of the year. But today, I'm not so confident, because I think that it will not improve, because we are seeing that inflation is going down faster than we thought it would, so probably it will not improve in the second part of this year. But it does mean, from my point of view that we cannot achieve our targets in terms of sales, because as you have seen we are having a very good organic growth which of course does explain all the like-for-like, the cannibalization that does explain all the negative like for like, explains part of the negative like-for-like, but not all. The rest is the market, as I mentioned before. We are living in a market, both in Spain and Portugal, which is extremely tough, with consumption that is going down year after year, that will continue going down this year. The market, the food sales in the market, even if they are resilient, because you know that we are in a very resilient market, will probably be negative this year, I think that around 1 point negative at the end of the year, even a little bit more if inflation goes down as it seems to be doing in the last weeks. So, from my point of view, we cannot expect very important like-for-likes in the future, what I said with the reinforcement of a price index, which is already very good, but specially with the reinforcement of our promotional activity, is that we want to push even more, as fast as possible, our volumes, because we have already a level of EBITDA margin which is quite interesting, and we think that we have to invest in the next all efficiencies in the next quarters, to gain as much volume as possible. But, don't misunderstand me, I don't think that Spain, in the next quarter, in the next years will have a big increase in like-for-likes, because the market is really tough and flattish, absolutely flattish, not to say negative, in terms of food consumption, population is going down, we do not see inflation for the next quarter, so at the end of the year, at the end of the day, that means that we do not expect very positive like-for-likes for the future. But once again in that type of environment, we have a lot of opportunities, we have a lot of opportunities to open new stores, we have a lot of opportunities to take stores from other competitors that are suffering more and more and have been suffering for many years, and don't take care that we will catch as much opportunity as we have in the market, because it's for us a clear priority. When we look at France, the first thing that I wanted to tell you is that sometimes when you compare with other competitors you have to see also what has happened with the other competitors in the past, because compared to historic data, it's always it's not only a question of the actual data, but of also the previous data. That said, we are not losing trafficking in France, we are maintaining our level of customers per store and it is because of a smaller basket that we are losing like-for-like in the country, due also in part to a smaller, even to lower inflation in France, because the problem with inflation, or the reality with inflation is more a European reality than a local one.

OPERATOR: Next question comes from Juan Ross from BBVA. Please go ahead.

JUAN ROS: Hallo, good afternoon. I have one question, you recently reached an agreement with a core company, so that you were going to introduce drop boxes, I believe, in many of your own stores in Spain. You were mentioning a short while ago that your population's going down in Spain, and the environment's not looking great. Are you really worried about a food fall, or a food fall for industry and a specifically your own food fall, are you looking for other (unknown)to improve your food fall in stores and maybe is there any material in fact that we can expect out of this little food fall that you're gonna have with this new agreement? Thank you.

RICARDO CURRÁS: Thank you very much for your question. No there's no relationship with our sales trend in Spain and what we are doing in the online business. As I've explained, sometimes, we wanted to enter this business as you have to be positioned for the future in these new ways, to make a business which are new in Spain, because it is less than one percent of the total market in food, but not so new in some other markets in UK, where it is 5 percent of the market, 4% in France or 7% in Shanghai, with the last data, so we are really looking at it as a good way to go in the future, but first of all we have to find a way to grow and to do it profitably. One of the ways which we have found is using our stores as a picking point for all types of on-line businesses, including us, including our own business. This is something that has not been developed very much in Spain. It has been developed much more in other countries and we think we have a good opportunity because in Spain we are 4,000 pick up points, because we have 4,000 stores in the country, and we are looking at the best way to do it in the most efficient way.

OPERATOR: Next question comes from Andrew Kassoulis from Crédit Suisse. Please go ahead.

ANDREW KASSOULIS: Yea, hi guys. Probably just maybe to split hairs slightly, but has your medium-term guidance changed a little. I think you now say a double digit compound annual growth for 2012-2015, that's a slightly new wording I think, and you've already done nearly twenty percent for 2012 itself so I guess that implies it's 2013/15 could now be less than 10%, so yea, have you changed your guidance slightly with the wording saying compound annual growth for 2012/15?

RICARDO CURRÁS: Good afternoon Andrew, no, not at all, it was not at all our intention to change that guidance and we will kindly revise the wording to see if there's been a mistake the way we have expressed it, but there's not at all an intention to change that, and obviously what we have achieved so far, which is in 2013 around 11 percent is well within that double digit field, and we really again are not really trying to express or shift what we announced at the beginning of the year.

OPERATOR: Next question comes from Iñigo Egusquiza from Kepler Chevreaux. Please go ahead, Sir.

ÍÑIGO EGUSQUIZA: Hi, good afternoon. Ricardo and team. Three questions for Spain and one for Argentina. For Spain, could it possible to share with us if there is any big difference between the like-for-like of your core co. and the like-for-like of your franchise stores? This is the first for Spain. Second, on Carel, could you share with us which is the main competitor in Spain, which chain? And for Dia fresh, would it be possible for you to give an update on the expansion plan? And lastly for Argentina, could you give us an update on the master franchise agreement you announced for the second area, if I remember well it was Salta in Argentina. Thank you.

RICARDO CURRÁS: Good afternoon Iñigo, I will address your first question on the like for like, if there is any divergence between core co. and franchise, and the answer is no. There is no significant divergence in the evolution of franchise and core co. The only thing that is probably, was a bit different had to do with the change in VAT, where obviously franchise customers in our stores acted buying before the VAT increase, but that was probably a bit more pronounced with franchises, but definitely not something that is materially divergent in the evolution of core co. versus franchise stores.

AMANDO SÁNCHEZ: Thank you, Iñigo, for the questions, the second is about Clarel. Of course anyone selling the categories that are being sold is a competitor for us, specifically all the supermarkets and hypermarkets would be included in this category of competitors. But if you are looking at more specialized changes. we have some more specialized changes in Spain, especially regional specialist change in Spain, that are selling this type of products; not all of them, because they are normally not all including pet food in the assortments, or healthy foods, but they are quite specialist in health and beauty care, and home beauty care, sorry. And, these regional changes normally are not very strong from, a... the capacity to have to continue growing the business, but they are quite strong in the different regions in terms of the value proposal they're offering to the customers. So you have in these categories people like Body Belle, or others in the south of Spain, or even the stores of Eroski, If... and most of them once again regionals, and most of them not much capacity to continue growing, but still with in some cases, with a good customer proportion. The third question is about the expansion plan for Dia Fresh, it's a good question, because I was wondering if we were not going to have any question about fresh today and I wanted to speak about fresh. We have transformed, we have been working on our model, as I told you last time, we wanted to be sure that our model was not cannibalized in the market, we have been working on our model, we have opened, reopened three of our stores with a different, with a more different assortment compared to market, and we are working on them today, we are fine tuning them, and we expect to regain, to restart again expansion of the Fresh format next year, because we think we are already seeing that we have a quite differentiated model today, with this new fresh, compared to the market. But once again, we are still working on it and we expect to open new stores next year. The last question is about Argentina, the franchise agreement in Salta is working well, we are continue opening stores. As you know, it's not a region with high potential, but for time being it's a good test for us because it's working perfectly and allowing us to cover a region that would be very difficult to cover if it would be done by ourselves.

OPERATOR: Next question comes from María Cebollero from Bank Sabadell. Please go ahead.

MARÍA CEBOLLERO: Thank you, good afternoon. We've seen in the third quarter a reduction in the active working capital and you mentioned that if one of the reasons is because of the early permits to suppliers in Argentina, so I was wondering what caused that for the fourth quarter and if you can provide us with any guidance for net for year end. Thank you.

RICARDO CURRÁS: Good afternoon María, thank you for your question. As I said, we have before we have named that anticipation in payments in Argentina, probably responsible for the reduction in the negative figure of working capital which I would like to stress is still among the most effective and the best amongst our peers. It is, we have also had an effect, which is probably even more significant, but it's less related to the business itself, which is the fact that in Q3 2012, we had a closing on a Sunday, versus a Monday in Q3 2013 and that has we have estimated has had an impact of around 40 million Euros in the supplier payment, in the total balance of supplier, at the end of the period, so we could probably say that Q2 or Q3 2012 was extraordinarily high, given the fact that the closing was done on a Sunday versus a weekday in Q3 2013. If we look now at the debt figure and the increase in the debt figure, there are other factors and bases that we should take into account, basically there are two related with the distribution of funds to our shareholders, one is the increase in the dividend by 11 million Euros and the execution of the equity swap linked to the capital reduction that we executed during the summer for around 50 million Euros. We do expect that improvement in the net debt figure for the year end and we definitely see leverage well contained in a similar line as we've seen in the last two quarters.

DAVID PEÑA: Well, the first one comes from Andrew Gwyn, from Exane, BNP Parisbas and it's about the quantification of the moving parts within the group gross margin gain. The long list of questions addressed on the telephone today, we now move to the questions taken on the website.

AMANDO SÁNCHEZ: Good afternoon Andrew, I will address your question. There are several parts, and I think you used a very good term, moving parts, in the evolution of the gross margin. I will highlight three which will help you to understand the movements, you would not necessarily reach a definitive conclusion on what's going on. First, you need to consider that Schlecker presents a higher gross margin and although it's a relatively small part of the business, yet there is an improvement clearly driven by the consolidation of Schlecker. There's also a decrease in the margin which is attributable to the increase share in the business we do with franchisees as you know, well the effect of in the PNL of franchise store versus a core co. store or more specifically a transformation of a company owned, company operated store into a franchised operated store is a reduction in the gross margin and a reduction in the operating expenses of the business. And there is a third effect which is a bit confusing which has to do with the fact that with the depreciation of the Latin American currencies, we operate normally at a lower gross margin in those, in Argentina and Brazil particularly, and also in China. So Latam or these emerging market operations, a lower gross margin becomes less relevant and that has appeared mechanical because there's nothing behind, nothing really behind other than the change in the currency that arrives into mathematically a higher gross margin, which is not the case when you compare the current figures of 2013 versus those of 2012. So, all in all, what you can read, or the three main effects which are counteracting between each other are those three, and there's not necessarily a increase in the gross margins because we have deteriorated our price position. That is definitely not the case.

DAVID PEÑA: And the second question and last today comes from Jaime Vázquez, JP Morgan. The first one is regarding the traffic growth in Iberia and the second one is related to Schlecker. Is the Schlecker margin similar to the total margin in Iberia so far?

RICARDO CURRÁS: Thank you for the questions. The traffic in Iberia is growing and we are having also a good traffic at store per store and like for like, so when you see the negative like for like it is due to basket sized specifically more and more about the issue about inflation than of traffic. I wanted to mention before that we have had also better traffic in Portugal in the third quarter of this year. And the second question is the (Schlecker margin) the Schlecker margin. We have been able to achieve this year, it's already a very good level of margin in Schlecker, the year is not closed yet, but we will probably recover the best margins Schlecker has ever had in its history and that means that we already have a level of margin which is the one we wanted to have. That said, what we see for the future more than moving up our level of margin in Schlecker is to move up our sales, because with the new Clarel concept clearly we expect to have much better sales and that will give us an opportunity with all the remodelling we are going to do next year and of course all the expansion, also we are going to start immediately.

DAVID PEÑA: Well at this point in time we no more pending questions, so I return the floor to Mr Currás for the final remarks.

RICARDO CURRÁS: So, thank you very much for your questions. I just want to remark finally that it is a pleasure for us to announce that our second investor's day will be hosted in Barcelona next March 12, 2014, which will give you by the way the opportunity to visit our Clarel stores if you have not done so yet. You will receive additional details about the agenda of the day very shortly. Thank you and good evening.