DIA

COMPANY REPORT

FOOD RETAIL

06 JANEIRO 2014

STUDENT: BRUNO FRANCO DE SOUSA

Just a matter of time

High dependence from the Iberian Market

- **We initiate our analysis with a Sell rating and a YE14 target price of EUR 6.19.** Our Target price is based on a sum-of-the-parts valuation based on discounted cash flow models fro Iberia, France, Argentina, Brazil and China. We valued DIA ex-Turkey operations. Our EUR 6.19 target price implies a downside of 4% to the current market price of EUR 6.45.

- **Main contributor**: Iberia generated approximately 50% of DIA´s total revenues in 2012. According to our valuation, Iberia Enterprise Value represents 80% of DIA´s total value. This makes the company highly dependent from this segment where in the last years both countries have presented a financial and economic crisis. Despite this, the deficits presented and the debt of the country as a percentage of the Gross domestic product (70%) have not been anything to worry about since the cap for the European Union is about 60%.

- **Currently Growing**: The Emerging Countries segment, which comprises Argentina, Brazil and China, is the one that has been growing the most over the past years. DIA initiate a transformation plan after the Carrefour spin-off and over the years beginning in 2011, Emerging Countries have presented higher revenues than France. Between these Brazil is the one that contributes more to DIA presenting an EBIT margin of 1.32% in 2019.

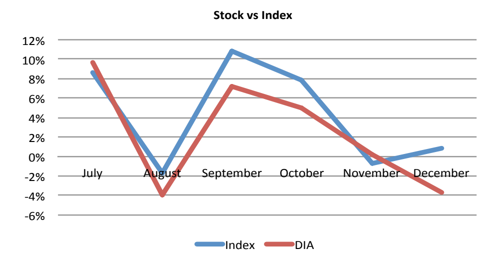
- **DIA vs. Competitors**: DIA stands behind its competitors particularly regarding its Gross margin, EBITDA margin and EBIT margin. On the other hand, their competitors used to have more liquidity than DIA. Over the years, DIA has been able to reach almost the same value in what regards the Debt/Equity ratio in 2012.

Recommendation:	**SELL**
Vs Previous Recommendation	-
Price Target FY14:	**6.19 €**
Vs Previous Price Target	-
Price (as of 5-Jan-14)	**6.45 €**

Reuters: DIDA.MC, Bloomberg: DIA:SM

52-week range (€)	5.02-7.02
Market Cap (€m)	4199.41
Outstanding Shares (m)	651.07

Source: Bloomberg



Source: Bloomberg

(Values in € millions)	2012	2013E	2014E
Revenues	10124	10286	11493
EBITDA	586.9	598.9	686.6
EBITDA Margin (%)	5.80%	5.82%	5.97%
EBIT	287.5	271.7	351.2
EBIT Margin (%)	2.84%	2.64%	3.05%
Net Profit	146.4	134.7	176.1
EPS	0.24	0.21	0.27
NWC/Sales (%)	11.2%	11.4%	11.5%
Capex/Sales (%)	20.5%	22.1%	20.3%
Dividend Yield (%)	2.29%	2.09%	2.02%
Net Debt	736.9	786.2	711.2

Source: Company Data and Nova Research

Company Description

DIA is a Spanish hard discount supermarket present in Portugal, Spain, France, Argentina, Brazil and China. DIA is Spain´s largest franchisor and Europe´s third largest food sector franchisor. More than 35% of their stores work under the franchise regime.

THIS REPORT WAS PREPARED BY BRUNO FRANCO DE SOUSA, A MASTERS IN FINANCE STUDENT OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS, EXCLUSIVELY FOR ACADEMIC PURPOSES. THIS REPORT WAS SUPERVISED BY ROSÁRIO ANDRÉ WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (SEE DISCLOSURES AND DISCLAIMERS AT END OF DOCUMENT)

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Exhibit 1: DIA geographic locations

Source: DIA Corporate

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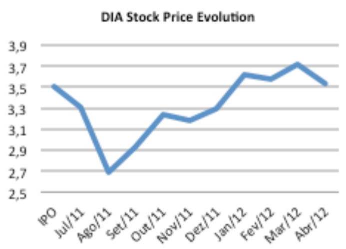
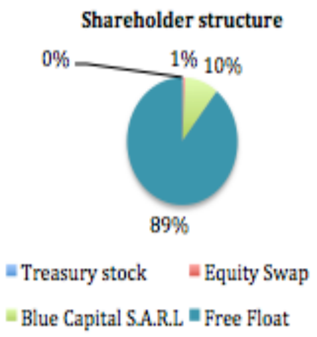


Source: Nova Research

Exhibit 3 - Shareholder Structure



Source: Nova Research

1. Company Overview

Distribuidora Internacional de Alimentación S.A (DIA) is the Spanish biggest franchisor and Europe´s third largest food sector franchisor. It is an international hard discount supermarket chain that operates nowadays in more than 7000 stores. Its stores are located in Portugal, Spain, France, Argentina, Brazil and China and divided into three geographical segments where Iberia represents more than 50% of DIA´s revenues in 2012. Its market cap is of EUR 4161.64 million being really small when compared to Carrefour or Metro market cap, more than EUR 15000 million. The company until 2011 was part of the Carrefour group but since June 2011 it is traded in the Madrid Stock Exchange via an IPO[1]. The price of DIA began in EUR 3.5 and in the first months the price of the stock had suffered a decrease (exhibit 2). DIA was listed on the IBEX-35 stock market in the 2nd of January 2012 with a price per share of EUR 3.58[2]. This index is composed by the biggest 35 local stocks and DIA represent nowadays 1,1% of it.

1.1. Shareholder structure

In June 2011 with the separation from Carrefour, DIA became autonomous and with direct shareholders. This means that the latest owners were solely Carrefour´s shareholders and now they will have direct and different shareholders than the one´s they had before. In order to reduce the amount of outstanding stock or to avoid a takeover threat a treasury stock holds 0.1% in DIA. On the 21st December 2011, an equity swap between DIA and Societé Generale was signed. This allowed for diversification and tax benefits whereby the latter acquired 13.586.720 own shares of DIA. Its deadline was in January 2012 and after Societé Generale had acquired those shares they had an indirect control interest of 2% in DIA, accounting nowadays for 0.8%. Blue Capital S.A.R.L, a private equity firm that also owns Carrefour, holds 9.8% in DIA. The remaining 89.2% are free float (exhibit 3).

1.2. Business Description

Distribuidora Internacional de Alimentación opened its first store in 1979 in Madrid, introducing the discount store model into the Spanish food retail market. In 1989,

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[1] http://www.irishexaminer.com/business/agri-business/discounters-share-of-french-food-retail-market-fading-bord-bia-study-236943.html

[2] http://www.bloomberg.com/quote/DIA:SM

ten years later, DIA began to offer individual entrepreneurs the opportunity to manage a brand which had already become well known by adding to the business model the franchise. This extent to the business model had an enormous impact in entrepreneur's willingness to try and it had become Spanish biggest franchiser. DIA has commenced an aspiring plan of international extension with standard DIA stores in Brazil, Argentina, Spain, Greece, and Turkey and "Minipreço" stores in Portugal.

DIA is the biggest Spanish discount supermarket chain with 44000 employees and their goal is to have the lowest price in the markets they are inserted. DIA is able to practise lower prices because of the minimal operational costs the company has and due to the limitation on the choice of products to a narrow selection of European brand names and white-label DIA goods. In addition, the stores have only the essential and are not fully decorated and their advertising is based on periodic flyers in order to disclose a special discount campaign.

DIA has a horizontally integrated business structure and is present in six countries in the retail sector. The company can be divided into three segments or geographic locations: Iberia, France and Emerging Countries. Most of the revenues and earnings come from Iberia (51% of total revenues in 2012). During the previous years Iberia has always been the segment with the biggest contribution to the whole company. Since 2011 the Emerging Countries have grown and surpassed France revenues, which until there were much higher. As Carrefour takes the lead in France it was difficult for DIA to compete with them. Therefore, after the spin-off, DIA took its opportunity to grow on those Emerging markets.

Exhibit 4 - Sales breakdown

Source: Nova Research

DIA business model relies on four sources of value: 1. Private Label, 2. Stores, 3. Franchises and 4. Logistic Platforms.

1.2.1. Private Label

DIA´s private-label includes 7500 product references present in six countries, which meets the needs of a broad customer with distinct tastes and preferences. DIA was the first retailer to launch it in Spain and in Argentina. They had the first mover advantage and rank in the present as the market leader in this segment. In 2012, 57% of the products on sale in DIA´s stores were part of the private label range being responsible for more than 40% of the total sales in that year. Supermarkets such as Carrefour and Metro, its private label brands only represent about 25% of the total sales. In DIA the percentage of penetration is higher in advanced economies as is the case of France where the penetration rate is about 60%. In the case of emerging economies, China is the one that had caused the major impact. China retail market had slim experience with private labels only accounting for 1.5% of the overall market. In this 1.5%, DIA´s brands account for approximately 11%.

Exhibit 5 - Number of DIA Stores

Stores	2009	2010	2011	201
DIA Market stores	3126	2997	2896	274
DIA Maxi stores	1345	1306	1275	12
Total propietary stores	4471	4303	4171	402
Total franchise stores	1623	2070	2499	289
TOTAL DIA STORES	**6094**	**6373**	**6670**	**691**

Source: DIA report

1.2.2. Stores

The stores are located in each of the six countries described before and can have 4 different formats accounting for 60% of the total sales of DIA. Furthermore, these stores are divided into DIA´s own stores and franchises. In what regards DIA´s own stores, they account for 35% of the total sales in 2012. The standard stores of DIA are the Market stores. These stores have a floor area of 400-700 m2 and their purpose is to be a neighbourhood store model adaptable to local requirements. They are perfect for day-to day shopping. In 2012, DIA launched in Spain a smaller format of its stores, around 150 m2, called DIA Fresh. The goal of this store is to have a wide range of fresh products such as vegetables, fruit, meat and fish being refreshed everyday. Despite these smaller formats, DIA also has a largest store format located in city outskirts. These stores have a floor are up to 1000 m2 and clients parking lots but are not DIA´s preferred stores model as you can see in the table 3. In 2013, DIA purchased Schlecker operations in Portugal and Spain for 70.5 million Euros, including 1127 stores in Spain, 41 stores in Portugal and 4 distribution centres. In the table below you can see all the stores DIA had until 2012, being DIA Fresh located inside the DIA market stores accounting for 30 stores in 2013.

1.2.3. Franchises

Exhibit 6 – Number of franchises stores

Franchises	2010	2011	2012
Iberia	**1,191**	**1,395**	**1,549**
Spain	1,005	1,187	1,31
Portugal	186	208	239
Emerging Markets	**703**	**859**	**1,086**
Argentina	85	119	156
Brazil	149	231	312
Turkey*	327	412	479
China	142	97	139
FRANCE	**176**	**245**	**255**
TOTAL DIA STORES	**2,07**	**2,499**	**2,89**

Source: DIA report

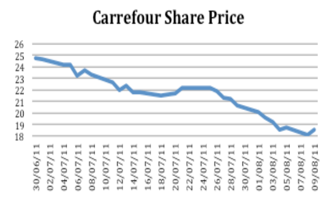
The franchise regime began in 1989 and nowadays more than 2800 stores operate under the franchise regime, representing 35% of DIA´s store network and approximately 25% of the total sales. The franchises are one of the main competitive advantages in relation to their major rivals. This regime allows DIA´s strategy to deliver growth and creating value in all its operating markets. Until today, the franchise regime had generated more than 17000 jobs and made an enormous contribution to the local business landscape. Moreover the size of the franchise investments depends on the country they are present being Spain the one with high percentage of franchises.

1.2.4. Logistic Platforms

DIA has 41 warehouses across the six operating markets it is presented. In total they occupy more than 800.000 m2 and its goal is to help delivering the products to each store and to receive all products coming from their suppliers. These logistic platforms do not contribute to the overall sales and they exist in relation to the. number of stores it has in each country. Therefore, the country with more warehouses is Spain.

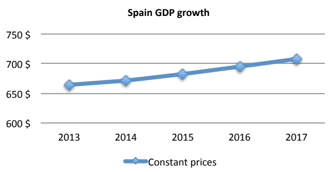
2. Why Carrefour sold Dia

Exhibit 7 - Carrefour Performance



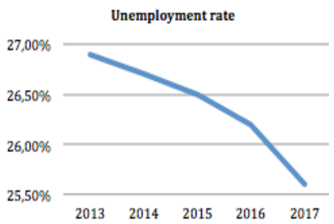
Source: Bloomberg

Exhibit 8 - Spain GDP

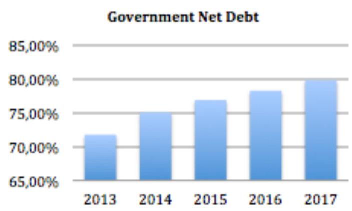


Source: IMF data

Exhibit 9 – Spain UR& Debt



Source: IMF data



Source: IMF data

In June 2011, Carrefour´s board approved the plans to spin-off the DIA discount chain and list 25% of the company´s European property unit, in a bid to streamline operations. The deal comprises that the Carrefour shareholders will get one share of the Spanish company for each Carrefour share they own. After the spin-off from DIA the value of the shares from Carrefour started decreasing, representing a 16% decrease until the beginning of August 2011 (exhibit 7). This happened because DIA´s IPO price was EUR 3.5 and after the stock exchange market the value dropped to 3.2 reducing the revenue for Carrefour by 8.5%.

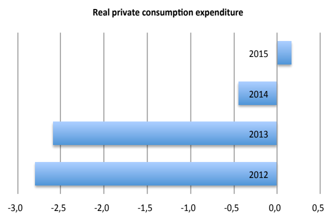
The goal of this spin-off, according to the Chief Executive Lars Olofsson[3], was to make Carrefour “more focused on its operational priorities while creating value for our shareholders” and to offload assets to boost its own valuation. With the spin-off, Carrfour expected to earn EUR 2.52 billion revenue and only earned EUR 2.3 billion. After this, DIA would operate independently of the Carrefour group with its own suppliers and would be based in Spain, which is its most important market. DIA plans to accelerate store openings and expansion in the next 3 years will be in practise being the 3rd largest discount supermarket behind Aldi and Lidl.

So, why did the French company “cut off” DIA? Carrefour said that DIA will be 100% independent but will still keep a connection with Carrefour as noticed in the shares attributed to the Carrefour shareholders. This happened because they understand that there was barely any synergy between both companies. There were no IT Synergies, no supply chain synergies and no loyalty program synergies. The only synergy it had was in purchasing products and it was limited. Furthermore, this would allow DIA to focus on its turnaround plan and would highlight the value of the chain.

On Carrefour´s point of view this would create value for both companies and for Carrefour shareholders. On one hand, Carrefour will concentrate more on the turnaround of its core business and will be more focus on leveraging their Carrefour brand. In addition, this would help to develop Carrefour branded discount offer and improve its operating performance. On the other hand, DIA will have full command of its own strategy and unleash its growth potential. The company would be more focused in capitalising the potential of their brand and in the execution of their transformation plan in the emerging markets.

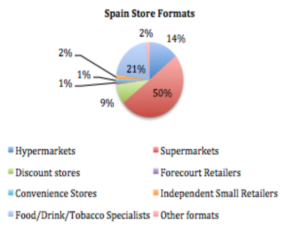
[3] http://www.retaildetail.eu/en/eur-europe/eur-food?start=210

Exhibit 10 – Real Private Consumption



Source: Bureau Labour of Statistics

Exhibit 11 - Spain Store Formats



Source: Nova Research

Exhibit 12 - Spain Market Share 20102

Source: Nova Research

3. Macroeconomic Analysis

3.1. Spain

3.1.1. Macroeconomic Analysis

Spanish economy is the fifth largest in the European Union and the fourth largest in the Eurozone, based on the nominal GDP. From 2009 until today, Spain had suffered an economic and financial crisis, which had affected significantly its GDP and deficit. The deficit reached in 2011 8.5% and in 2012 5.3%, exceeding significantly the European Union barrier of 3% deficit.

As Spain is the biggest contributor of DIA it is important to see how the overall economy will be in the following years. In what regards GDP, it is expected to grow at current and constant prices. At constant prices, Spain will present an average annual growth rate of 1.5%. This followed by a reduction in the unemployment rate in the following years might recover Spanish economy (exhibit 8). The unemployment rate, expressed as a percentage of the total labour force, presents values around 25% and will decrease 20 b.p. per year since 2013 in exhibit 9.

The real private consumption expenditure, shown in exhibit 10, has been decreasing and is still going to decrease year-by year until 2014 although this rate is going to be less negative following the years. In 2013, the rate was 2.8% negative and in 2014 it is expected to reduce only 0.4%. In 2015, the real private consumption will grow 0.2% showing an improvement in private people consumption.

In 2008, the Spanish net government debt relative to the total GDP was well below the European Union average. In 2012, the government debt was 90.69% of the GDP but was still lower than in Italy. This rate is expected to decrease to 71.8% in 2013 and to increase from 2013 until 2017 approximately 200 b.p. per year, reaching a value of almost 80% in 2017 (exhibit 9).

3.1.2. Spanish Food Retail Market

There is increasing competition in the scope and range of product offerings in the Spanish food retail market. Due to the financial struggling of the Spanish economy, the retail sector and channels have been affected. With the decrease on consumer purchasing power and with the stagnation of domestic demand, price has become the most important factor. Discounter stores have largely benefit from the current situation and are adjusting to the new reality, offering a wide range of products, selling local brands and private label products.

The Spanish retail food market is very diversified[4], offering a wide range of stores formats. Hypermarkets and supermarkets represent more than 60% of total food sales (exhibit 11).

Despite that, medium supermarkets, usually located in city centers, are taking market share from traditional stores and from out-of-town hypermarkets. This happened due to the economic crisis that has forced families to reduce the visits to shopping areas in favor of closer and more affordable stores. Discount stores only represent a 9% market share but are the 3rd largest players excluding Food/Drinks/Tobacco Specialists.

Regarding, Spain´s biggest retail players are Mercadona, Carrefour, Eroski and DIA. They nowadays account for almost 35% of the food retail market (exhibit 12). Between these DIA is the one with less market share but is the only discount store. DIA is far ahead from its main discount competitors such as Aldi and Lidl which present 0.5% and 2.8% market share, respectively.

3.2. France

3.2.1. Macroeconomic Analysis

France used to be one of the biggest contributors behind Iberia but nowadays it is struggling to follow Emerging Countries' revenues. It is the second largest economy in Europe just behind Germany. During the recession of the late 2000´s France was able to recover faster than its comparable economies presenting a GDP growth stronger than expected in 2012 and is currently one of the most developed economies.

In the next years, France will continue to grow in terms of its GDP (exhibit 13, expressed in billions euros). It is expected to have an average annual growth of 2% at constant prices. Furthermore, the unemployment rate will reach values under 10,5% of the total labour force in 2017. In addition, the government debt is expected to decrease reaching values in relation to the GDP fewer than 84% from 2015 onwards (exhibit 14).

Exhibit 13 - France GDP

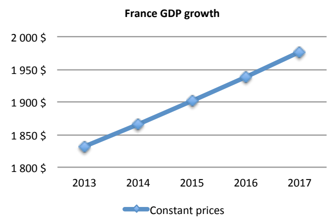
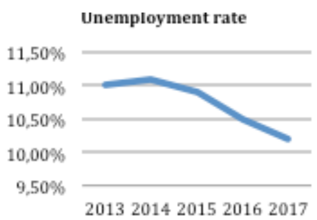


Exhibit 14 – France UR& Debt



Source: IMF Data

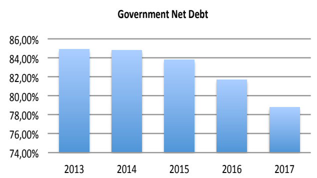
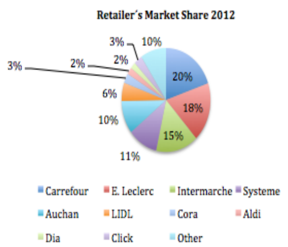


Exhibit 15 –France Store Format



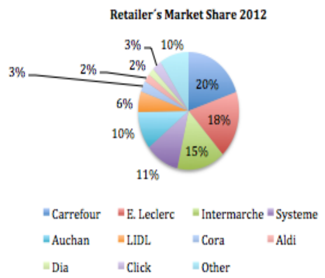
Source: Retail Guide, 2013

[4] http://ec.europa.eu/internal_market/consultations/2013/unfair-trading-practices/docs/contributions/public-authorities/spain-comision-nacional-de-la-competencia-2-report_en.pdf

3.2.2. French Food Retail Market

France is one of Europe's largest retail markets and is where many renowned retail brands operate such as Carrefour, Casino etc. Despite the economic crisis, France was able to achieve an annual turnover of almost €500 billion in 2013. The retail sales have grown significantly since 2010 but have had a slowdown in 2012 and 2013 due to the economic downturn. In 2014, it is expected to grow 50 b.p more than in 2013.

Exhibit 16 - France Market Share 2012



Source: Retail Guide, 2013

Exhibit 17 - France Retail Sales Growth

French Retail Sales growth					
France	2010	2011	2012	2013	2014
Retail growth	3,40%	3,40%	1,90%	1,60%	2,10%

Source: Retail Guide, 2013

According to new Bord Bia research, discount stores share of the French food retail market is declining, due to the changes in the retail legislation in 2009. The legislation changes gave more freedom to negotiate with suppliers, which consequently resulted in more price wars between all food retailers. As the power of the suppliers has been reduced the other stores were able to practice the same prices as the discount stores do, maintaining the constant gross margin. This resulted in a reduction of discounter´s market share to 11.9% when in 2009 it used to 15% of the total market.[5]

The French retail market was worth €221.1 billion[6] in 2012 and the two big players were Carrefour and E. Leclerc with a market share of 20% and 19%, respectively. The major discount stores players as DIA, Aldi and Lidl only represented globally 11%, being Lidl the French preference (exhibit 16). Lidl represent 6% while DIA and Aldi only represent 2% and 2.2%, respectively.[7]

3.3. Portugal

3.3.1. Macroeconomic Analysis

DIA´s activity in Portugal resulted from the opening of Minipreço followed by the acquisition of Schlecker operations in Portugal in 2013. Portugal actual economic situation is a consequence of accumulated budget deficits always exceeding

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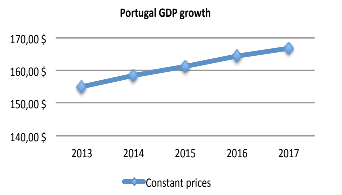
[5] http://cwglobalretailguide.com/france/

[6] http://www.access6.eu/country-profile/french-market

[7] http://www.irishexaminer.com/business/agri-business/discounters-share-of-french-food-retail-market-fading-bord-bia-study-236943.html

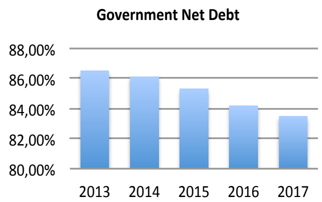
Exhibit 18 - Portugal GDP



Source: IMF Data

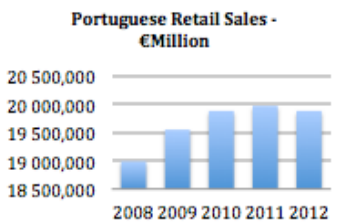
Exhibit 19 – Portugal UR& Debt

Source: IMF data



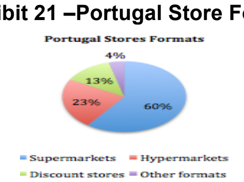
Source: IMF Data

Exhibit 20 - Portugal Sales volume



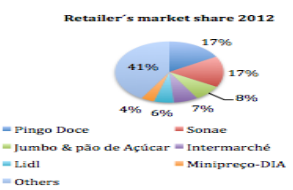
Source: IMF data

Exhibit 21 –Portugal Store Format



Source: Nova Research

Exhibit 22 – Portugal Market Share 2012



Source: Nova Research

European Union barrier of 3%. From 2011 to 2012 the GDP growth rate have declined 3.2%, but from 2013 onwards the GDP is expected to have an average annual growth of 2% (exhibit 18).

The unemployment rate is expected to increase from 2013 to 2014 but from 2014 onwards the country is going to reduce about 40 b.p. each year (exhibit 19). In addition, the government net debt is expected to increase during the next years but as a percentage of the nominal GDP it is going to decrease from 86% in 2013 to 83.5% in 2017 (exhibit 19). This all coupled with the lack of competitiveness of the economy and the sovereign debt crisis that started in Europe, investors have reduced the fear of the country not being able to pay its obligations.

3.3.2. Portuguese Food Retail Market

In 2012, Portugal registered a value of retail sales of 19,886 €million (exhibit 20). This value suffered a small negative change from 2011 to 2012 of approximately 0,05%. Throughout the years the Portuguese economy has not been well although the retail sales have grown until 2011, with the biggest increase being registered from 2008 to 2009, 3.5%.

The food retail market in Portugal is highly concentrated with 6 large companies obtaining more than 50% of total market share (exhibit 22). The major players are Pingo Doce and Sonae, Continente, with a joint market share of 34%. Dia between the 6th larger players is the one with the lowest market share, approximately 4%.

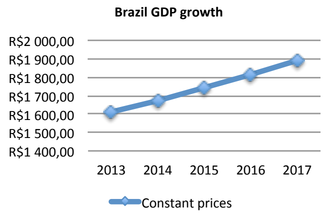
Regarding the stores format, supermarkets are the biggest retailing channels with a value of 60% in 2012. The relative good performance of supermarkets between hypermarkets is that as Pingo Doce represents almost 50% of the market and it is a supermarket, this analysis become a little skewed. Discount stores only represent 13% of the market although being higher than hypermarkets and other formats, like convenience stores or grocery stores.

3.4. Brazil

3.4.1. Macroeconomic Analysis

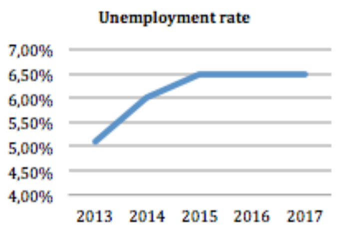
Brazil is the Emerging Country with the highest sales and with more stores. In general terms, it is the sixth largest economy by nominal GDP in the world and the largest of Latin America. As well as China, Brazil is one of the fastest-growing economies with an average growth rate of 5 per cent in the past years. Brazil is expected to stand on the five largest economies in the world in the next few years.

Exhibit 23 - Brazil GDP

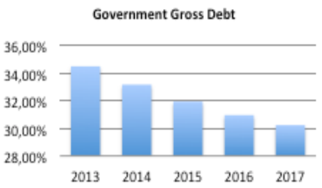


Source: IMF Data

Exhibit 24 - Brazil UR & Debt

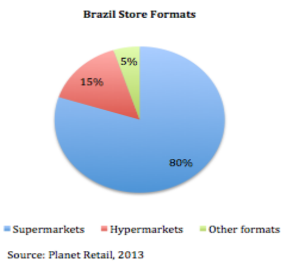


Source: IMF data



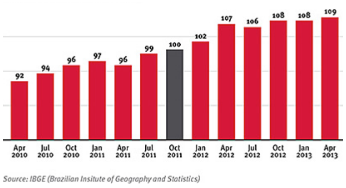
Source: IMF Data

Exhibit 25 - Brazil Stores Format



Source: IMF Data

Exhibit 26 – Brazil retail sales



As you can see on exhibit 23, expressed in billions real, GDP is expected to grow in the future. Brazil GDP at constant prices is expected to increase until 2017 seventeen per cent, with an average annual rate of 4 per cent. On the other hand, the unemployment rate will increase in 2014, despite the Football World Cup on that year. From 2014 onwards the rate only will grow to 2015 fifty b.p. and will remain stable until 2017. In what regards the country debt, it will continue to decrease in relation to the GDP achieving a value near to 30% in 2017 (exhibit 24).

3.4.2. Brazilian Food Retail Market

Latin America takes a strong position in the Apparel Index, being Brazil the 5th in this Index. The current market leader at the food retail market has been Pão de Açúcar(18% MS 2012). Although in the last years international companies such as Walmart and Carrefour S.A have extended their operations to Brazil and become one of the top retailers behind Pão de Açúcar. The Brazilian market is nowadays one of the most internationalized markets, as the top 10 retailers market share is about 60%. In contrast, homegrown retailers have taken an advantage and have grown at faster rates due to their knowledge of the local market.

This retail market is estimated to be worth US$ 230 billion[8] in 2013. The retail sector has grown in the last eight years due to the growth of the GDP and population distribution. As you can notice in exhibit 12, the Brazil retail sales have grown since April 2010 representing 109% of the total sales in October 2011.

Companies such as Carrefour, DIA, Pão de Açúcar follow the supermarket format and are the market leaders. They dominate the segment accounting for 80%[9] of purchases made (exhibit 25). On the other hand, the hypermarket format is well entrenched in the Brazilian market representing more sales than other formats such as grocery stores, local markets and cash and carry stores (5% of the total market).

3.5. Argentina

3.5.1. Macroeconomic Analysis

Argentina is one of the Emerging Countries where DIA has more activity just behind Brazil. It is considered an emerging country by the FTSE and is an upper

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[8]http://www.atkearney.com/pt/consumer-products-retail/global-retail-development-index/full-report/-/asset_publisher/oPFrGkbIkz0Q/content/2013-global-retail-development-index/10192

[9] http://www.thomaswhite.com/global-perspectives/retail-sector-in-brazil-riding-the-wave-of-middle-class-growth-and-consumer-credit-boom/ -

middle income economy considered Latin America´s third largest. Over the years, Argentina´s economy has been very imbalanced due to its high economic growth exchanged with severe recessions and income unequal distribution.

Exhibit 27 - Argentina GDP

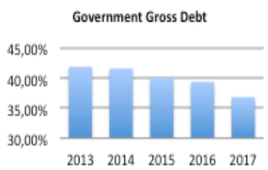
Source: IMF Data

Argentina´s GDP forecasts, in billions pesos, are expected to increase both in current prices and constant prices. This growth reveals Argentina´s ability to improve its economy and to continue between the largest economies in Latin America. It represents a growth of 18.5% from 2013 to 2017 (exhibit 27).

According to IMF the unemployment rate, as a percentage of the total labour work force, will increase from 2013 to 2014 and will remain stable until 2017 (exhibit 28). This contrarily to what was seen in the GDP growth represents a possible threat to the overall economy. Despite that, the government gross debt, expressed as a percentage of the GDP, tend to decrease on the following years causing a positive effect in country´s liquidity (exhibit 28).

Exhibit 28 - Argentina UR & Debt

Source: IMF data



Source: IMF Data

3.5.2. *Argentine Food Retail Market*

Argentina retail market has grown significantly from 2008 until today. According to Euromonitor, retail sales had been estimated to reach US$ 28.9 billion in 2013 representing a growth rate of 119.6% since 2008. In addition, the forecast for growth in this market is also favourable. It is expected that by the year, the retail sales are expected to reach US$ 32.5 billion, 12.5% higher than in 2013.

Exhibit 29 - Argentina Store Format

Source: Nova Research

Large hypermarkets and supermarkets, generally owned by large retail chains, concentrate a significant portion of the retail market (35%), while smaller supermarkets and traditional stores have continued with high market share, approximately 50% (exhibit 29). This happens due to the price sensibility that consumers present. Smaller supermarkets offer lower prices in order to approach promotional prices offered by larger supermarkets, and proximity. With that, smaller supermarkets and traditional stores have been progressively regaining market share lost in the past to larger retail stores. Several international retail companies operate nowadays in Argentina such as Carrefour, Wal-Mart, DIA and Jumbo. These companies, over the past few years, have expanded their operations to cities in the interior of the country since Buenos Aires became saturated.

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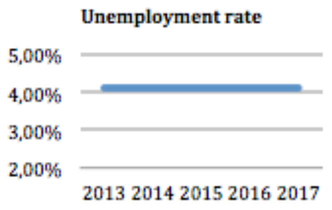
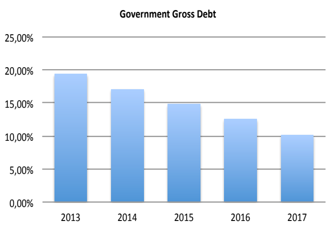
Exhibit 30 . China GDP

Source: IMF data

Exhibit 31 – China UR & Debt



Source: IMF data



Source: IMF Data

Exhibit 32 – China Retail Sales

Source: IMF data

Exhibit 33 - China Market

Source: Euromonitor International, 2012

3.6. China

3.6.1. Macroeconomic analysis

China is one of the countries where DIA´s activity is quite irrelevant and where the contribution is low. Over the years it has been growing a lot offering a set of opportunities in a wide range of sectors. China presented the fastest-growing major economy in the world, with an annual growth of more than 10 per cent. Agriculture and industry are the largest sectors producing more than 60 per cent of China´s GDP and employing over 70 per cent of the work force.

China forecasts for GDP are expected to increase from 2013 onwards (exhibit 30). It will increase 8.5% per year surpassing its historical growth of 7.5%. These values are present in billions Yuan.

Contrarily to the forecasts for the GDP growth the unemployment rate is expected to remain the same for the next 4 years, approximately 4.1% (exhibit 31).

In order to analyse country´s risk and liquidity we decided to make an analysis of the government´s debt expressed as a percentage of the GDP. As one can see in exhibit 13 the gross debt of China´s government is expected to decrease throughout the years revealing its good liquidity position and exposure to risk with values always above 20%.

3.6.2. Chinese Food Retail Market

China is characterized by having a growing retail market. It offers a wide range of opportunities for foreign investors, although some sectors are easier to access than others. Despite the global economic downturn felt in the last years, China was able to be one of the most lucrative and rapid growing retail markets in the world. By the end of 2011, China´s grocery sector exceeded that of the US becoming the largest food and grocery retail market in the world. The country achieved in 2012 an incredible value of about ¥19.25[10] trillion in retail sales represented by a 15.5 per cent increase year on year since 2009 (exhibit 32).

China´s retail sector is expected to continue to expand, with strong competition from domestic and international retailers. Modern grocery retail formats, such as hypermarkets and supermarkets, already dominate the market representing 62% of

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10 http://publications.gc.ca/collections/collection_2013/aac-aafc/A74-2-2013-15-eng.pdf

all sales and 13% value growth in 2011. As Chinese population is high price sensitive, low price is a key success factor in the retail sector, especially for formats such as supermarkets. The grocery retail market is expected to reach a value of US$ 539.8 billion in 2013 and US$ 707.2 billion in 2017. This represents an expected growth of 31% from 2013 to 2017 (Exhibit 33).

In China's grocery retail, larger store formats and chains have become more popular and traditional retail formats, such as wet markets, become less prominent. Hypermarkets are becoming the main growth format in China's grocery retail sector, due to the lower prices that they can offer to consumers. They represented 67.4% in 2012 and in 2015 they are expected to represent approximately 69% of the total market. With increasing competitiveness in the supermarket channel, retailers are focusing future expansion on hypermarkets, discount stores and convenience stores, which will be good for DIA´s activities.

Exhibit 35 - China Store Formats.

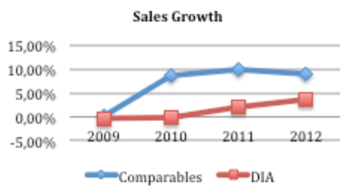
Retail Format Banner Sales for Edible Grocery by Channel type in China - US$				
Channel	2012	2013	2014	2015
Hypermarkets	67,4%	68,2%	68,6%	68,9%
Supermarkets	21,1%	20,0%	19,2%	18,5%
Convenience Stores	5,4%	5,3%	5,3%	5,5%
Variety Stores	4,0%	4,1%	4,1%	4,2%
E-commerce	0,6%	0,9%	1,2%	1,4%
Discount stores	0,8%	0,8%	0,8%	0,8%
Cash and Carries	0,4%	0,5%	0,5%	0,6%
Other grocery formats	0,1%	0,1%	0,1%	0,1%
Catering	0,1%	0,1%	0,1%	0,1%
Total	100,0%	100,0%	100,0%	100,0%

Source: Planet Retail, 2012

4. DIA vs Comparables

After being aware of the markets in which DIA operates it is important to take a look to DIA´s competitors. In order to do so, we opted to analyze some activity ratios, as well as operating ratios regarding the performance of 22 different companies operating in the same industry and with a similar business model (Appendix 3). The companies used were divided between emerging markets and Europe and were the companies used when performing multiples valuation and WACC.

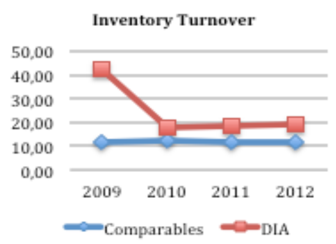
Exhibit 34 – Sales Comparison



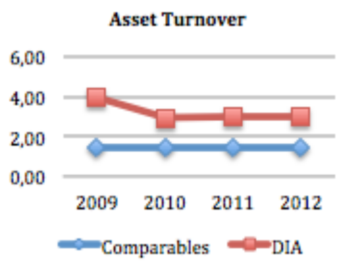
Source: Nova Research

Starting with Sales performance, we compared the growth since 2009 until 2012 and as one can see, the difference was not too big. In fact, in 2009 it grew almost the same as its comparables but from 2009 onwards it grew below the industry overall, reflecting the recession felt in Iberia where DIA has more operations (exhibit 35). This difference was caused by the recession specially felt in Portugal and Spain that is where DIA has more activity and where the biggest part of the revenues comes from.

Exhibit 36 - Turnover Comparison

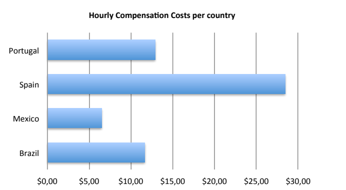


Source: Nova Research



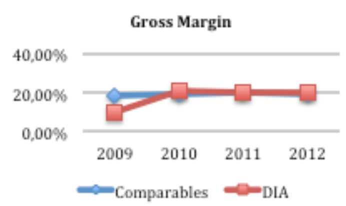
Source: Nova Research

Exhibit 37 - Hourly Labour Costs



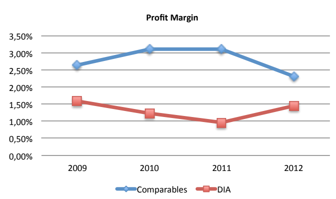
Source: Bureau of Labor Statistics

Exhibit 38 - Margins Comparison



Source: Nova Research

Source: Nova Research



Source: Nova Research

In what regards activity ratios, we have looked at the performance of inventory turnover and assets turnover, which are two of the best indicators in the retail market. As it can be seen in exhibit 36, DIA outperformed its industry peer´s in the last years, mainly in 2009 where the difference was of about 4 times more in both turnovers.

In terms of profitability ratios, we decided to analyse the Gross Margin[11], Operating Margin[12], Profit Margin[13] and the effective tax rate. DIA´s gross margin has been always shifting from one year to another. In 2009, DIA was behind its comparables but since 2010 they have been able to keep up its competitors.

Concerning operating efficiency, DIA presents some different conclusions from those ones inferred by the Gross margin analysis. At this point, DIA presents worst results than the overall industry with an operating margin 200 b.p lower in the last 4 years, excluding 2012 where the difference was lower (approximately 100 b.p.). This happened because of supermarkets brands such as Pão de Açúcar, Soriana or Jerónimo Martins, where the hourly compensation costs are lower. As you can see in exhibit 37, Spain has the highest labor price per hour (28.44 $USD[14]) when compared for example to Portugal, Brazil or Mexico. As Spain is the country that employs more people it is the cause why the operating margin is lower when compared to its competitors.

If we exclude from operating efficiency expenses related to interests and taxes paid, we get the profit margin. Once again DIA clearly underperformed its comparables but in 2012 has been able to decrease the difference over the companies compared, presenting in 2012 a margin of 1.5% vs. 2.3% of the industry (Exhibit 38).

In order to see the causes of this improvement in 2012, we decided to analyse the average effective tax rate paid by the competitors and the effective tax rate paid by DIA. As we can see in exhibit 39, the effective tax rate has been always higher for DIA than for its peer´s, excluding 2009. In 2012, the rate was still higher than its competitors but since the difference was about 800 b.p. DIA was able to produce a.

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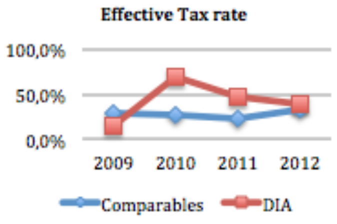
11 $Gross\ Margin = \frac{Gross\ Profit}{Net\ Sales}$

12 $Operating\ Margin = \frac{EBIT}{Net\ Sales}$

13 $Profit\ Margin = \frac{Net\ Profit}{Net\ Sales}$

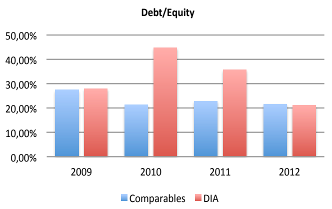
14 http://www.bls.gov/news.release/pdf/ichcc.pdf - Hourly compensation

Exhibit 39 - Tax Comparison



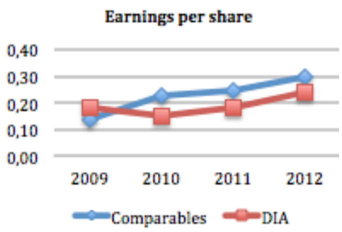
Source: Nova Research

Exhibit 40 - Debt/Equity



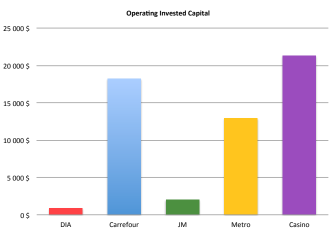
Source: Nova Research

Exhibit 41 - EPS



Source: Nova Research

Exhibit 42 - Invested Capital



Source: Nova Research

profit margin closer to the one its comparables presented. The margins have become worst in relation to the competitors

In addition, we analyse the company leverage position against its competitors and earnings per share evolution throughout the years. From the exhibit 40 one conclude that DIA´s debt weight in equity at market prices has been similar to its competitors in 2009 and in 2012 and higher in 2010 and 2011. This illustrates that the company was undertaking their expansion plan financed by a relative amount of debt.

In relation to the earnings per share evolution, it can be noticed that DIA has decreased its earnings from 2009 to 2010 but from 2010 until last year it has been able to grow. Despite this growth, DIA´s earnings per share have been lower than its peers in the last 3 years. The only moment they were higher was in 2009 but since then, their competitor´s earnings have grown at a higher rate. (Exhibit 41).

Finally, we decided to conclude our analysis by measuring the return of DIA against the overall industry. For this, we computed the Return on Assets (ROA[15]), Return on Equity (ROE) and Return on Invested Capital (ROIC[16]) ratios. The ROA, which measures the profitability of a company disregarding its capital structure, has been moving up and down its competitors for the last 4 years. We see that DIA was able to generate more profits on its assets than its peers in 2009 and in 2012, being in 2009 where the difference was more significant (exhibit 43).

By looking at the second ratio, ROE[17], we see that the difference between DIA and the Industry increases. The difference between both ratios is explained by the effect of the capital structure of the Group when the spin-off from Carrefour was done. The spin-off happened in 2011 and as noticed the ROE start increasing at this date due to the reduction in Equity and increase in Liabilities. This shows that DIA´s capital structure positively impacts its shareholders' return but in on the other hand it is more exposed to liquidity problems.

Lastly, regarding ROIC, we present the past performance in Exhibit 43. A little surprising concerning the analysis done so far, DIA´s ROIC outperformed the Industry. In fact, while Industry's median presented values around 12%, DIA has been able to achieve in the last two years values higher than 20% (exhibit 43). As

15 $ROA = \frac{Net\ Profit}{Total\ Assets}$

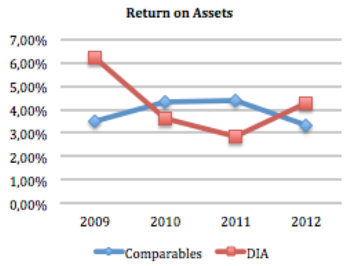
16 $ROIC = \frac{NOPLATt}{Invested\ Capital\ t-1}$

17 $ROE = \frac{Net\ Profit}{Equity}$

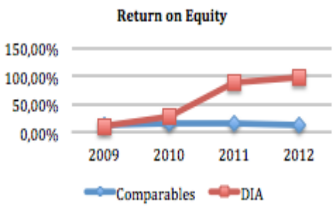
food retailers are known by its large amount of invested capital each year this is an important measure to see how the company is turning investors capital into profit. The invested capital of DIA, as noticed in exhibit 42, is relatively low when compared to competitors such as Carrefour, Jerónimo Martins or Casino. This happens because of DIA´s franchise regime. As 35% of DIA´s stores operate under the franchise regime it had allowed DIA to achieve a higher ROIC since its invested capital is lower than its competitors. So, despite the NOPLAT of DIA being lower than its competitors the invested capital is also lower and the overall effect makes the ROIC higher in DIA than in the overall industry.

In conclusion, DIA does not stand out from its competitors from the analysis seen previously but also when performing a valuation by multiples, as you will see further on.

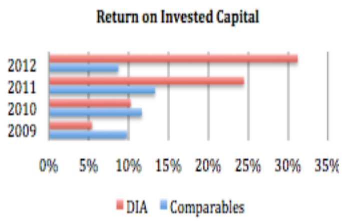
Exhibit 43 - Return Analysis



Source: Nova Research



Source: Nova Research



Source: Nova Research

5. Sales per square metre as key value drivers

As most of DIA´s generation come from the stores and this outcome form is mainly based on operational costs and revenues, the key value driver to forecast the revenues are the sales per square metre. In order to do so, we needed to estimate the sales per square meters of the stores of each country.

This analysis began by estimating the number of the stores that will be present in each country. For Iberia, Spain and Portugal, the stores will grow in 2013 due to the acquisition of Schlecker operations in Portugal and Spain. They grew from3497 stores in 2012 to 4737, almost 36%. From 2014 onwards, we estimated a small change in the number of stores, 0,25%, since the Schlecker acquisition had a huge impact in Iberia revenues this year. As we have seen before, the conditions in Spain and Portugal are going to be better but in these markets DIA has a relevant position and the markets are becoming saturated. Due to France restructuring program, the stores have been decreasing in the last years and we assume that from 2013 onwards the stores will remain the same with further investment only in Maintenance. Based in the 3Q results, we estimated that the stores in France would decrease approximately 1.7% in 2013. According to the transformation plan proposed by DIA after the spin-off, the stores in the Emerging Countries have been growing approximately 13% since 2011 in Brazil, Argentina and China. In 2013, DIA sold its operations in Turkey and with that the total stores decreased in 2013 due to the volume that Turkish stores represented in the total stores of Emerging

Countries. We assumed an increase of 16% until 2014 in Brazil, Argentina and China stores given the change demonstrated between the 3Q of 2012 and the 3Q of 2013 (16%). From 2014 onwards, we estimated a change of approximately 14% because we expect the company to slow down a little bit its expansion plans from there on and to be aware of its expenditures in maintenance and refurbishment of the stores that already exist (appendix 1).

Subsequently, we needed to estimate the square meters adjacent to each country. They were determined using the ratio between the stores selling area and the number of stores. This was determined by computing the average selling area of the stores of each country and assuming it will be the same as in 2012. We also assumed that the stores formats will have the same proportion and so there will not be any differences regarding the average store area of each country. For example in 2013, we used the ratio from 2012 of the average store selling area and multiply it for the number of stores in 2013. This ratio was higher in the Emerging Countries and lower in France. Our estimations concluded that from 2013 onwards, Iberia selling area that represented 62% in that year, will represent a little less each year due to the increase in the percentage of Emerging Countries selling area that is expected to grow from 2013. In addition, the stores were divided between old stores and new stores of each year given the different return they obtain (appendix 1).

The next step was to analyse the sales per square metre of each country. These were analysed by dividing them between old stores sales per square metre and the new stores sales per square metre given their different returns. Either the old stores per sqm and the new stores per sqm were computed regarding the inflation forecasts for each of the countries. The inflation forecast is available in appendix 1 and is more intense in areas such as Argentina, Brasil where the values vary around 5 and 10 per cent. In the case of Europe and China the values are lower standing between 1 and 3 per cent In the case of France there were no new stores due to our assumption of no further growth on that country. (appendix 2). In France, we assumed that as well as the revenues the sales per sqm have been decreasing in the last years. So, before incorporating the inflation rate of France in the sales per sqm we have seen the decrease in the last few years and have computed an average for the next years. The result was that the sales per sqm have been reducing approximately 6% per year. In the case of the Iberia segment, we expect either the old stores per sqm and the new stores per sqm (45% of the old stores sqm) to grow according to the inflation rate. In what regards the Emerging Countries, these were also computed according to the inflation rate of each country but the new stores sales per sqm only represent 30% of the old stores in the case of Brazil and Argentina and 45% in the case of China. Furthermore, these estimates were computed in euros in the case of the Iberia and France segments but in the case of the Emerging Countries those were made according to their local currency.

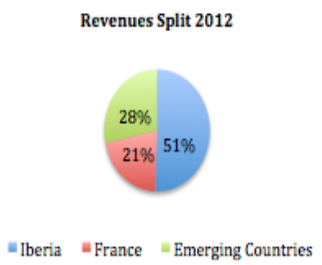
6. Segmental Forecasts

In this part of the report we analyze the recent performance of the Business Units belonging to DIA. The BU´s were divided into three geographic segments: Iberia, France and Emerging Countries. After performing a comparison of the performance of recent years with major competitors it is important to look at each segment individually. Furthermore, we detail the operational forecasts for each BU, comprising mainly sales (sales/sqm), number of stores and stores selling area, EBITDA, EBIT and respective margins. Estimates were prepared for a period of 7 years until 2019. To perform the forecasts we took into account the 3Q results of 2013 and the strategic guidelines of the Group for the period 2013-2015 mainly in the Emerging Countries.

6.1. Iberia

In the Iberia segment, DIA bundles all operations relating to the food retail market in Spain and Portugal. This segment is the one that contributes more to the total value of the company. Its revenues in 2012 were responsible for almost 51% of the total sales. (Exhibit 44).

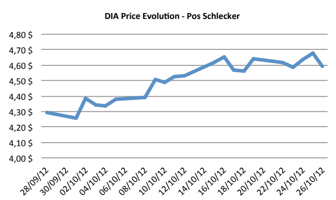
Exhibit 44 – Revenue Slip 2012



Source: Nova Research

In 2013, DIA increased its stores and selling area due to the acquisition of Schlecker which included 1168 stores, 1127 in Spain and 41 in Portugal. This resulted in 4737 stores in 2013 with a store selling area of 1978 thousands square meters. DIA bought Schlecker´s operations in Portugal and Spain for EUR 70.5 million. This transaction was announced in the 28th of September 2012 and in the opening of the market in the 1st of October 2012, the stock price of DIA has declined 0.91%. Later on, the stock price began to increase never reaching the same value it had before the announcement. Taking into consideration this information, one can tell that this acquisition has produced a positive impact in DIA´s operations. Regarding the analysis of the returns, it can be noticed that the ROIC will suffer a slight decrease in 2014 in Iberia and that the sales per sqm had suffered a reduction in 2013 in relation to 2012 (exhibit 45). Despite this, our estimates reveal that the company will be able to reach higher sales per sqm and ROIC in 2014 compared to 2012. The acquisition of these stores was important for DIA because they on that period were initiating the DIA Fresh stores. As well as the Fresh stores, the Schlecker stores have an average store selling area of 150 sqm. In addition, the private label accounts for 19% of Schlecker´s net sales.

Exhibit 45 DIA price evolution – Pos schelcker-



Source: Nova Research

The number of stores represents 62% of the total selling area in 2013 and is expected to decrease in the future. This is due to the transformation plan that is being put in practice in the Emerging Markets, which will result in an increase of its percentage in the total selling area. Due to this huge investment we expect the investment in the next years to be low rounding a 0,25% growth in the number of stores. The revenues are expected to grow 17.45% in 2013 and 18.13% in 2014. Despite the revenues of Iberia have grown the average sales per square meter have decreased in 2013 due to the different ratio Schlecker stores have (exhibit 39). Regarding the margins achieved by the Iberia segment, the EBITDA margin is expected to decrease in 2013 and to remain constant at 7.8% until 2019. We forecasted it taking into account the margin Schlecker has and given the increase in the operating costs and COGS it can produce. We were a little pessimistic because it allow for potential deterioration in the competitive environment in Spain or Portugal. On the other hand, the operational margin or EBIT margin will decrease in 2013 but will increase throughout the years never surpassing the EBIT margin ex-Schlecker (2012)

Exhibit 46 - Iberia Forecasts

Iberia	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Number of Stores	3497	4737	4749	4761	4773	4785	4798	4810
Selling area (millions sqm)	1,4601	1,978	1,983	1,988	1,993	1,998	2,003	2,008
% growth selling area		35,46%	0,25%	0,25%	0,25%	0,25%	0,25%	0,25%
Inflation Spain		1%	1%	1%	1%	1%	1%	1%
Inflation Portugal		1,30%	1,00%	1,20%	1,20%	1,30%	1,20%	1,20%
Net sales per sqm (EUR k)	3,50	3,04	3,58	3,62	3,67	3,72	3,76	3,80
% Growth		-13,28%	17,82%	1,20%	1,20%	1,30%	1,20%	1,20%
Net Sales (EUR k)	5118	6011	7101	7204	7309	7423	7531	7641
% growth	3,44%	17,46%	18,12%	1,46%	1,46%	1,56%	1,46%	1,46%
EBITDA Margin	8,53%	7,80%	7,80%	7,80%	7,80%	7,80%	7,80%	7,80%
EBIT Margin	4,89%	3,91%	4,35%	4,39%	4,42%	4,45%	4,48%	4,51%

Source: Nova Research

6.2. France

In the France segment, DIA was responsible for 2% of the total market share in 2012 being Lidl the French favourite discount store. During the years, France has been losing weight in the total sales of the whole company. Until 2010 its revenues were higher than in the Emerging Countries but since then the Emerging Markets have been surpassing France.

Therefore and due to France Sales performance in the past years, we have cut our sales forecasts by an average of 5.7%, having a negative impact in our DCF. The sales growth, as noticed in exhibit 40, has decreased 9.22% in 2012 and we expected it to decrease 6.82% in 2013 and from there to remain between -4.79% and -4.51%. Regarding the number of stores and selling area we expect it to decrease in 2013 but from 2014 onwards we assumed that no further investment would be done in this country. As no further investment will be made, we expect the weight of the stores selling area to decrease from 22% (2012) to 16.15% in 2019.

However, we believe that DIA should take more decisive action in France by selling/closing some of the worst performing stores. We believe those alternatives could create more value for the company increasing the EBITDA margin from 2013 onwards. On 2019 this rate is expected to grow 113 b.p when compared to 2012 performance. In what regards EBIT margin, this would decrease 10 b.p in 2013 due to the depreciation value reduction. From 2013, France will achieve negative values and positive values in EBIT margin depending on the operating losses they will have each year. This provide clearly evidence that it will be very hard for DIA to turn around France given its lack of scale there and its competitive environment.

Exhibit 47 - France Forecasts

France	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Number of Stores	888	873	873	873	873	873	873	873
Selling area (millions sqm)	0,6418	0,6312	0,6312	0,6312	0,6312	0,6312	0,6312	0,6312
% growth selling area		-1,65%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Inflation France		1,00%	1,50%	1,50%	1,60%	1,70%	1,80%	1,80%
Net sales per sqm (EUR k)	3,33	3,16	3,01	2,86	2,73	2,60	2,49	2,37
% Growth		-5,26%	-4,79%	-4,79%	-4,70%	-4,60%	-4,51%	-4,51%
Net Sales (EUR k)	2140	1994	1898	1807	1722	1643	1569	1498
% growth	-9,22%	-6,82%	-4,79%	-4,79%	-4,70%	-4,60%	-4,51%	-4,51%
EBITDA Margin	3,29%	3,34%	3,34%	3,63%	3,92%	3,92%	4,42%	4,42%
EBIT Margin	0,11%	0,01%	-0,18%	-0,06%	0,05%	-0,14%	0,17%	-0,03%

Source: Nova Research

6.3. Emerging Countries

The Emerging Countries segment includes Argentina, Brazil and China. As these countries have different currencies from each other the forecasts were done individually in each national currency. Over the last few years, Emerging Countries have been gaining a position inside DIA. In 2012 they were responsible for 28% of the total Sales surpassing the France segment. We have forecasted our sales ex-Turkey since Turkish operations are no longer DIA´s property. Due to that we have reduced the number of stores the Emerging Countries will have by excluding Turkey´s stores. We forecasted our values based on the transformation plan that is being implemented by DIA on these countries and given the potential growth these countries would have in the future, as noticed in the macroeconomic analysis.

Brazil is the country that contributes more to the Emerging Markets value. Its selling store area is expected to increase 15.55% in 2013 and in 2014 but from 2014 we expect this expansion plan to slowdown to 13.99%. In 2016 the number of stores is expected to surpass France stores. We expect the sales per sqm this year to be lower than in 2012 despite the fact that the net sales have grown. From 2013 onwards, the net sales per sqm will grow surpassing 2012 value soon. The net sales growth rate was lower than in the last year but is going to increase in 2014.

As in 2015 the transformation plan is expected to slowdown, the sales growth rate will stabilize at 19.12%. We forecasted the EBITDA margin to be the same throughout the years since no big change will be made. On the other hand the EBIT margin will increase achieving 1.32% in 2019, 55 b.p. higher than in 2012.

Exhibit 48 - Brazil Forecast

Brazil	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Number of Stores	561	648	749	854	973	1110	1265	1442
Selling area (millions sqm)	0,2573	0,2973	0,3435	0,3916	0,4464	0,5089	0,5801	0,6613
% growth selling area		15,55%	15,55%	13,99%	13,99%	13,99%	13,99%	13,99%
Inflation Brazil		5,90%	5,80%	5,00%	4,50%	4,50%	4,50%	4,50%
Net sales per sqm (Real k)	14,34	13,75	14,55	15,42	16,11	16,84	17,59	18,39
% Growth		-4,08%	5,80%	5,96%	4,50%	4,50%	4,50%	4,50%
Net Sales (Real k)	3689	4089	4999	6038	7192	8568	10206	12158
% growth	27,19%	10,84%	22,25%	20,79%	19,12%	19,12%	19,12%	19,12%
EBITDA Margin	2,79%	2,79%	2,79%	2,79%	2,79%	2,79%	2,79%	2,79%
EBIT Margin	0,77%	0,74%	0,91%	1,03%	1,12%	1,19%	1,26%	1,32%

Source: Nova Research

Argentina is the second biggest contributor to the value of the Emerging Countries. The number of stores and selling area has been and is expected to be almost the same as Brazil, also surpassing France stores in 2016. Despite this, Brazil sales value is higher given the value of the real. For instance, the number of stores in 2019 is expected to be 1437 while in Brazil is expected to be 1442. The policy defined indicates the same growth rate as in Brazil to Argentina. The inflation rate in Argentina is the highest one between the one´s projected although the net sales per sqm have been reduced due to the high improvement in 2012. The same occurred with the net sales. In 2012 the net sales suffered an increase of 58.85%, being registered an increase of 31% and 3% in 2011 and 2010, respectively. Due to this huge improvement we expect the sales in 2013 to grow only 4.89% and further on increase between 18.29% and 16.73%. The EBITDA margin was the same as in Brazil and is expected to be the same for the next years. In what regards the EBIT margin this was higher than Brazil in 2012 but from 2013 onwards it is expected to be behind Brazil's margin. The margin is projected to reach 1.06% in 2019 while Brazil estimate is 1.32%.

Exhibit 49 – Argentina Forecasts

Argentina	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Number of Stores	559	646	746	851	970	1106	1260	1437
Selling area (millions sqm)	0,1649	0,1905	0,2202	0,2510	0,2861	0,3261	0,3718	0,4238
% growth selling area		15,55%	15,55%	13,99%	13,99%	13,99%	13,99%	13,99%
Inflation Argentina		10,80%	10,80%	10,80%	10,80%	10,80%	10,80%	10,80%
Net sales per sqm (Pesos k)	37,47	34,02	34,82	35,94	36,80	37,70	38,63	39,61
% Growth		-9,23%	2,37%	3,21%	2,40%	2,44%	2,48%	2,52%
Net Sales (Pesos k)	6180	6482	7667	9020	10529	12295	14363	16786
% growth	58,85%	4,89%	18,29%	17,65%	16,73%	16,77%	16,82%	16,87%
EBITDA Margin	2,79%	2,79%	2,79%	2,79%	2,79%	2,79%	2,79%	2,79%
EBIT Margin	0,95%	0,71%	0,82%	0,88%	0,93%	0,97%	1,02%	1,06%

Source: Nova Research

China is the weakest contributor but is also the country with fewer stores. Notwithstanding, the stores in China are expected to increase 257% until 2019

Exhibit 50 - China Sales

Source: DIA Report

reaching a value of 812 stores. Its inflation is the lowest between the countries analysed presenting a value of 3%. The sales per sqm are expected to increase in the future about 3% a year with a decrease in 2013. The total net sales have presented in the past years a negative growth rate as shown in exhibit 49. Due to this fact we expect the net sales to grow only 10.21% this year seeing that they have grown 21.74% last year. This resulted in an improvement of the EBITDA margin to 4.44% as we estimate that China is now being able to create value. The EBIT margin was -2.31% and it will be negative for the next 4 years including 2013. From 2017 we expect China to recover and to present positive earnings. All this resulted in China´s negative EV given the high investment in Capex that will continue to be made.

Exhibit 51 -China Forecasts

China	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Number of Stores	316	365	422	481	548	625	712	812
Selling area (millions sqm)	0,0713	0,0824	0,0952	0,1085	0,1237	0,1410	0,1608	0,1832
% growth selling area		15,55%	15,55%	13,99%	13,99%	13,99%	13,99%	13,99%
Inflation China		3,00%	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
Net sales per sqm (Yuan k)	17,35	16,55	17,04	17,68	18,21	18,75	19,32	19,89
% Growth		-4,62%	3,00%	3,72%	3,00%	3,00%	3,00%	3,00%
Net Sales (Yuan k)	1237	1363	1622	1918	2252	2644	3105	3646
% growth	21,74%	10,21%	19,02%	18,24%	17,41%	17,41%	17,41%	17,41%
EBITDA Margin	2,79%	4,44%	4,44%	4,44%	4,44%	4,44%	4,44%	4,44%
EBIT Margin	-2,31%	-0,62%	-0,31%	-0,15%	-0,01%	0,12%	0,24%	0,36%

Source: Nova Research

6.4. Capex, NWC and Debt

For Capex estimations, we analysed company historical data as well as we took into account both the expansion plans delineated by the Group as well as our own estimates regarding the forecast period. In our model, we divided Capex into the three main segements: Iberia, France and Emerging Countries.

In our model, we have also divided Capex into two main categories: Expansion, which comprises the costs related with new stores openings; Refurbishing & Maintenance that includes the expenses related to stores maintenance and layout conversions. In Exhibit 52 we present the consolidated forecasts for the Group until 2019. As one can see, until 2015, the strong investment plan for DIA will be reflected in the Capex due to the higher value translated in the Expansion category. From 2015, the investment made in the maintenance and refurbishing will be higher than in Expansion and DIA's investment in Expansion will fall to nearly 78% of the values achieved in this three-year period.

Exhibit 52 - Consolidated Capex forecasts

Consolidated Capex Forecasts	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Expansion	163 326	298 414	222 202	228 318	178 863	187 522	197 362	208 548
Refurbishing & Maintenance	108 884	198 943	148 135	152 212	218 610	229 194	241 221	254 891
Total	272 210	497 357	370 337	380 530	397 473	416 716	438 583	463 439

Source: Nova Research

In exhibit 54, we present the consolidated forecasts for the Capex of DIA until 2019 divided by business unit. These forecasts where made in order to reflect our estimates of reduction or increase in store openings assuming the same ratio of Capex/selling store area of 2012. As one can see, we expect Iberia to remain the principal focus of DIA's investment, while Emerging Countries continue to grow reaching almost the same value as Iberia´s Capex in 2019 (43.7% vs 42.8%). In France, we assumed no further investment will be made and therefore we expect the value to be constant after the closure of some stores in 2013. Regarding the Emerging Countries these would be the segment with the biggest percentage increase from 2014 to 2019, approximately 84%. Capex is expected to be mainly related to expansion plans, in line with the store openings we estimate for Argentina, Brazil and China. The reduction in 2013 was due to the sell of the Turkish assets that were accounted in the Emerging Countries segment. The Iberia, which largely increased its Capex in 2013, will continue to produce an average annual growth rate of 0.25% until 2019.

Exhibit 54 -Capex Breakdown

Capex Breakdown	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Iberia	136 781	577 960	200 089	200 599	201 110	201 622	202 136	202 651
France	31 696	54 687	62 510	62 510	62 510	62 510	62 510	62 510
Emerging Countries	103 734	-135 289	107 738	117 421	133 853	152 585	173 937	198 278
Total	272 210	497 357	370 337	380 530	397 473	416 716	438 583	463 439

Source: Nova Research

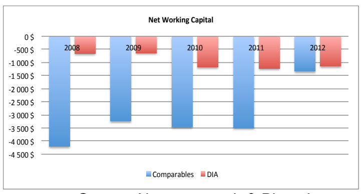
In what concerns Net Working Capital, an important source of funds for the Group, we have also divided it by Business Unit. In Exhibit 55, we present the breakdown of the NWC by segment. As you can see, DIA presents a negative working capital. This negative working capital is a sign of managerial efficiency with low inventory and accounts receivable and high accounts payable. The goal is that they are using funds from others to manage their daily operations.

Exhibit 55 -NWC Breakdown

NWC	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Iberia	-575 773	-685 163	-809 330	-821 128	-833 099	-846 079	-858 414	-870 928
France	-240 720	-225 474	-214 673	-203 731	-193 537	-184 629	-175 319	-167 414
Emerging Countries	-322 595	-258 298	-295 040	-354 102	-422 004	-480 641	-543 611	-625 120
Total	-1 139 089	-1 168 935	-1 319 043	-1 378 962	-1 448 640	-1 511 350	-1 577 344	-1 663 463

Source: Nova Research

Exhibit 53 - NWC Comparables VS. DIA



Source: Nova research & Bloomberg

In order to see DIA´s position inside the industry, we decided to analyze the NWC of DIA compared to its competitors. As it was stated before, the invested capital of DIA is smaller than the average competitors due to 35% of its stores working under the franchise regime. Therefore, the NWC of DIA is less negative than the one produced by its competitors. Although in 2012, the value is really similar as you can see in exhibit 53, expressed in millions euros.

The NWC is higher in Iberia and lower in France mainly due to the volume of revenues the different segments have. The NWC was computed separately according to the activity ratios of each segment shown in section 8 (Financials). Most of the NWC items were done in relation to the volume of sales but the Inventories and Accounts Payable were done in relation to the Cost of Goods Sold (COGS).

Giving our forecasts and what was mentioned before, the free cash flow that each segment produces together with the changes in the net working capital achieved are sufficient to face the levels of investment needed to expand and maintain operations with the exception of China where the Enterprise Value is negative.

Exhibit 56 - Net Debt Forecasts

Net Debt (Expressed in thousands of euros)	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Long term Debt	553 112	644 350	563 547	551 005	504 354	458 838	395 898	318 980
Short term debt	426 623	163 976	162 500	154 375	143 569	128 589	113 750	100 100
Total debt	979 735	808 326	726 047	705 380	647 923	587 427	509 648	419 080
Cash and cash equivalents	343 417	128 200	133 433	133 688	133 973	134 306	134 682	135 110
Net debt	636 319	680 126	592 614	571 692	513 950	453 121	374 966	283 970
Provisions	100 630	106 098	118 631	122 435	126 686	131 649	137 248	143 629
Total debt	736 949	786 225	711 245	694 127	640 635	584 770	512 214	427 599

Source: Nova Research

The Net Debt of DIA is shown in exhibit 56. We forecast the Net Debt to increase in 2013 and to start decreasing afterwards. Our estimates take into account the excess cash and the provisions of each year. DIA is expected to decrease its debt approximately 42% compared to 2012. In relation to the payout-ratio we expect it to be stable at 46.52% with a dividend yield between 2.09%-2.33% from 2013 onwards.

Exhibit 57 -Dividends Historical and Forecast

Dividend Ratios	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Dividend Yield				1,55%	2,29%	2,09%	2,02%	2,13%	2,15%	2,21%	2,29%	2,33%
Dividend Payout	40,66%	49,39%	455,11%	390,57%	49,53%	62,82%	46,52%	46,52%	46,52%	46,52%	46,52%	46,52%
Cash Flow per Share				0,197	0,171	0,150	0,611	0,485	0,521	0,545	0,582	0,619

Source: Nova Research

7. Valuation

Our EUR 6.19 target price is derived from a sum-of-the-parts (SOP) valuation, applying a discounted cash flow (DCF) model to all the geographical segments DIA is present. We considered this model the most suitable due to its presence on six different geographies with 4 different currencies, being one of them the euro. This model discounts the Free Cash Flow at the Weighted Average Cost of Capital, representing the opportunity cost faced by investors to invest their own fund in the company rather than investing in others with similar risks.

We valued all of the segments independently and in the case of the Emerging Countries each country was computed in a stand-alone basis[18]. In addition to our base case scenario that will be described later on, we have also constructed a worst-case scenario in order to incorporate uncertainties about the future. At the moment, DIA trades at 6.45 being overweighed with 4% premium regarding our valuation. In our opinion, this value is to high and we expect DIA´s stock to show a decrease over the medium term.

7.1. WACC

In order to value DIA's operations in the food retail market, we computed a cost of capital for each of the segments. We began estimating a cost of equity for each of the different geographies and a cost of debt and target capital structure (D/E) to the whole DIA.

We computed the cost of equity[19] for all segments using the capital asset pricing model (CAPM) applying a market risk premium of 6.5% and a risk free rate of 1.684% based on the yield of the German 10-year government bond. Regarding the segment beta, we have calculated it departing from the average asset beta of comparable companies. In the case of Iberia and France, the comparable companies were companies based in Europe and with their business operations mainly focused in Europe in order to guarantee that the companies' betas would be appropriate benchmarks to DIA´s operations in Europe. The comparable retailer´s used are described in annex 3. In addition, we have included to this cost of equity, both in Europe and in the Emerging Countries, a country risk premium, which gives us additional risk about the country´s profile regarding some macroeconomic factors such as political instability. This information is described below.

Exhibit 58 -WACC Computation

	Iberia	France	Argentina	Brazil	China
Risk-free	1,68%	1,68%	1,68%	1,68%	1,68%
Country Risk Premium	3,94%	1,18%	9,00%	2,63%	1,05%
Unlevered beta	0,56	0,56	0,79	0,79	0,79
Beta levered	0,64	0,64	0,89	0,89	0,89
Market Risk Premium	6,50%	6,50%	6,50%	6,50%	6,50%
Cost of Equity	**9,85%**	**7,05%**	**16,62%**	**10,14%**	**8,53%**
Risk-free	1,68%	1,68%	1,68%	1,68%	1,68%
10-year CDS spread	2,09%	2,09%	2,09%	2,09%	2,09%
Cost of debt	3,77%	3,77%	3,77%	3,77%	3,77%
After-tax cost of Debt	**2,62%**	**2,47%**	**2,45%**	**2,49%**	**2,83%**
Equity	82,56%	82,56%	82,56%	82,56%	82,56%
Debt	17,44%	17,44%	17,44%	17,44%	17,44%
WACC	**8,59%**	**6,25%**	**14,15%**	**8,81%**	**7,54%**

Source: Nova Research

18 We converted cash flows to Euros only to calculate the valuation as we have done Brazil, Argentina and China's accounts in local currency. We used the PPP method in order to forecast the values of the exchanges rates. This was mainly based in inflation differentials. The exchange rates are described in appendix 4.

19 $ke = rf + \beta l \times rm$

For the Emerging Countries segment, our selection criteria were the companies that are international or local and have operations in Argentina, Brazil or China. This resulted in average unlevered betas of 0.56 and 0.79 for the Europe and Emerging Countries segment, respectively. The computations and results are presented in exhibit 58.

In order to lever the average betas[20], we needed to determine a target capital structure for DIA. The target is the weight of debt in the company's financial structure. By now, there is no generally accepted model to calculate it. Therefore, we estimated it using the values of the average net debt and market cap of DIA because it was really similar to the average companies' target capital structures used in the computation of beta. From the comparables presented in annex 3 we have obtained an average D/E ratio of 0.215 and for DIA a value of 0.211. Using these values to re-lever the betas resulted in 0.64 and 0.89 to Europe and Emerging Countries segments, respectively.

After re-levering the betas and computing the country risk premium for each of the countries we were able to calculate the cost of equity of the segments. In what regards Europe, we reach a cost of equity of 9.85% for Iberia and 7.05% for France. In the case of the Emerging countries, the computation resulted in a cost of equity of 16.62% for Argentina, 10.14% for Brazil and 8.53% for China.

Regarding the cost of debt, it seems reasonable to use the same cost of debt to all company's operations. As DIA does not have a credit rating and there are no liquid traded bonds, we estimated the cost of debt by looking at the Credit Default Swap of DIA. In order to estimate an appropriate effective tax rate, we have added a debt premium based on the CDS spread on 10-year bonds to the German 10-year government bond. This gave us a cost of debt before tax of 3.77%. The after-tax cost of debt was computed by discounting each country tax rate to the whole cost of debt.

After computing these two costs separately, we could calculate the weighted average cost of capital. Assuming our D/E of 0.211 we reached a target capital structure of 82.56% Equity and 17.44% Debt. After our calculations, we reached a WACC[21] for each of the segments that are presented in exhibit 58.

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[20] $\beta u = \frac{\beta l}{1+(1-t)\times\frac{D}{E}}$

[21] $WACC = \frac{D}{D+E}\times kd\times(1-t) + \frac{E}{D+E}\times ke$

7.2. Iberia

For the Iberia, we have explicitly forecasted financials for 2013E-19E and assumed a terminal value for the period thereafter based on a growth rate of 1%. We deemed the growth rate reasonable given the low growth potential due to the mature nature of the food retail industry in Spain and Portugal. The values are shown in exhibit 59.

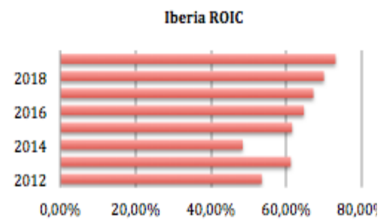
Exhibit 59 - Iberia Sales

Source: Nova Research

Our results prove our initial suspicion that the majority of DIA´s value is allocated in the Iberia segment. The contribution to the business as a whole has an overall value of EUR 3936.33 million or EUR 5.18 per share being responsible of about

80% in our base scenario analysis. From the results, we see that Iberia due to the acquisition of Schlecker is going to improve its revenues on 2013 (17.46%) and 2014 (18.12%). From 2014 onwards we assumed that the sales growth would be around 1.5% because of the huge investment of €70.5 million in Schlecker acquisition (exhibit 59).

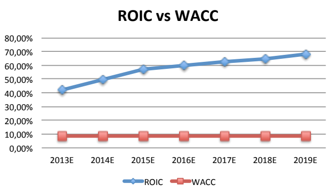
Exhibit 60 - Iberia ROIC



Source: Nova Research

From figure 60, we can see that while the Iberia segment is clearly creating value, the return to investors goes into a one-year phase of value reduction before generating a higher ROIC again. We attribute this mainly to the increase in the number of stores and logistic centers that have happened in 2013 diminishing the ROIC by 127 b.p in 2014. Despite this, Iberia ROIC values will always be higher than its cost of capital, creating value to this segment (exhibit 61).

Exhibit 61 –Iberia ROIC vs WACC



Source: Nova Research

Exhibit 62 - Iberia Valuation

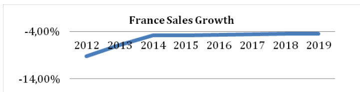
DCF Iberia (Expressed in thousands of euros)	2013E	2014E	2015E	2016E	2017E	2018E	2019E
EBIT	264 087,11	347 635,99	355 649,91	363 114,96	371 602,06	379 479,68	387 562,17
Taxes	80 454,14	105 907,30	108 348,74	110 622,97	113 208,57	115 608,48	118 070,82
Tax Adjustments	24 321,14	29 394,22	26 746,55	30 420,11	30 166,00	30 378,41	31 651,74
NOPLAT	207 954,12	271 122,90	274 047,71	282 912,10	288 559,49	294 249,60	301 143,10
Depreciation and amortization	195 871,34	196 370,35	196 870,64	197 372,20	197 875,03	198 379,15	198 884,55
Operational Gross CF	**403 825,46**	**467 493,25**	**470 918,35**	**480 284,30**	**486 434,52**	**492 628,75**	**500 027,65**
Net Working Capital	-685 163	-809 330	-821 128	-833 099	-846 079	-858 414	-870 928
Change in NWC	-109 390	-124 167	-11 799	-11 971	-12 980	-12 334	-12 514
Capex	1 459 640	1 463 358	1 467 086	1 470 824	1 474 571	1 478 328	1 482 094
Net Capex	577 960	200 089	200 599	201 110	201 622	202 136	202 651
Other operating assets	56 713	66 990	67 967	68 958	70 032	71 053	72 089
Change in other operating assets	8 432	10 278	977	991	1 074	1 021	1 036
Other operating liabilities	92 260	108 979	110 568	112 180	113 928	115 588	117 273
Change in other operating liabilities	13 717	16 719	1 589	1 612	1 748	1 661	1 685
Net changes in other operating assets and liabilities	5 285	6 442	612	621	673	640	649
Operational Investing CF	**-463 285**	**-69 480**	**-188 188**	**-188 518**	**-187 968**	**-189 162**	**-189 487**
Operational FCF	**-59 459,51**	**398 012,77**	**282 730,30**	**291 766,12**	**298 466,10**	**303 467,16**	**310 540,23**
Non-Operational Assets	103 039	103 302	103 565	103 829	104 093	104 358	104 624
Change in Non-Operational Assets	26 972	263	263	264	265	265	266
Non-Operational Liabilities	228 754	229 337	229 921	230 507	231 094	231 683	232 273
Change in Non-Operational Liabilities	59 881	583	584	586	587	589	590
Non-Operational CF	**32 908**	**320**	**321**	**322**	**323**	**324**	**324**
Iberia FCF to the Firm	**-26 551,19**	**398 333,05**	**283 051,39**	**292 088,03**	**298 788,84**	**303 790,71**	**310 864,61**
Discount factor	1,0000	0,9209	0,8480	0,7809	0,7191	0,6623	0,6099
Iberia DCF	**-26 551,19**	**366 818,10**	**240 034,75**	**228 100,90**	**214 873,09**	**201 185,45**	**189 582,29**
TV	4 135 886,43						
g	1%						
Wacc	8,59%						
EV	**3 936 333,88**						
Market Value of Debt	561 251,79						
Equity Value	**3 375 082,09**						
Price per share	**5,18**						

Source: Nova Research

7.3. France

With regard to France, we also have explicitly forecasted financials for 2013E-19E and assumed a terminal value for the period thereafter based on a growth rate of 1%. The values of the FCF are shown in exhibit 56. We assumed this growth rate due to the consolidated position that competitors such as Carrefour and E. Leclerc have in the French market representing last year 40% of the total market share.

Exhibit 63 - France Sales Growth



Source: Nova Research

We assumed that France would reduce its sales in 2013 by about 6% but from 2014 onwards we expect it to decrease approximately 5% each year. Our assumption was based in the previous two years sales performance where French sales have reduced 6% in 2011 and 9% in 2012 (exhibit 63). With that we do not assumed any growth on the number of stores France would have. Despite this, from 2013 onwards France FCF will began to be positive and will grow throughout the years. This resulted in a France enterprise value of EUR 189.20 million or EUR 0,05 per share representing 3.82% of DIA´s enterprise value in a base case scenario.

Exhibit 64 - France Valuation

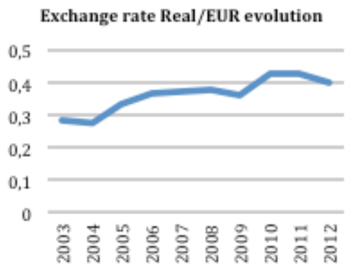
DCF France (Expressed in thousands of euros)	2013E	2014E	2015E	2016E	2017E	2018E	2019E
EBIT	156,35	-3 377,82	-1 002,39	809,65	-2 254,09	2 659,43	-455,71
Taxes	53,83	-1 162,98	-345,12	278,76	-776,08	915,64	-156,90
Tax Adjustments	8,12	-151,68	-35,64	35,73	-93,61	107,45	-19,15
NOPLAT	110,63	-2 366,51	-692,91	566,61	-1 571,61	1 851,23	-317,96
Depreciation and amortization	62 509,69	62 509,69	62 509,69	62 509,69	62 509,69	62 509,69	62 509,69
Operational Gross CF	**62 620,32**	**60 143,17**	**61 816,78**	**63 076,30**	**60 938,07**	**64 360,92**	**62 191,73**
Net Working Capital	-225 474	-214 673	-203 731	-193 537	-184 629	-175 319	-167 414
Change in NWC	15 246	10 801	10 942	10 194	8 908	9 310	7 905
Capex	465 824	465 824	465 824	465 824	465 824	465 824	465 824
Net Capex	54 687	62 510	62 510	62 510	62 510	62 510	62 510
Other operating assets	10 289	9 797	9 327	8 889	8 480	8 098	6 959
Change in other operating assets	-9 896	-493	-469	-438	-409	-382	-1 138
Other operating liabilities	20 537	19 553	22 526	17 743	16 926	16 163	18 521
Change in other operating liabilities	-1 504	-984	2 973	-4 784	-817	-763	2 358
Net changes in other operating assets and liabilities	8 392	-491	3 442	-4 346	-407	-381	3 496
Operational Investing CF	**-61 541**	**-73 801**	**-70 010**	**-77 050**	**-71 825**	**-72 201**	**-66 918**
Operational FCF	**1 079,19**	**-13 657,92**	**-8 193,02**	**-13 973,37**	**-10 886,70**	**-7 839,94**	**-4 726,18**
Non-Operational Assets	50 446	29 812	26 533	28 322	18 782	8 646	5 366
Change in Non-Operational Assets	-847	-20 634	-3 279	1 789	-9 540	-10 136	-3 279
Non-Operational Liabilities	46 608	41 947	51 269	74 781	83 619	92 457	105 373
Change in Non-Operational Liabilities	-783	-4 661	9 322	23 512	8 838	8 838	12 917
Non-Operational CF	**64**	**15 974**	**12 601**	**21 724**	**18 378**	**18 974**	**16 196**
France FCF to the Firm	**1 143,66**	**2 315,64**	**4 407,87**	**7 750,37**	**7 490,95**	**11 133,95**	**11 469,88**
Discount factor	1,0000	0,9412	0,8858	0,8337	0,7847	0,7386	0,6951
France DCF	**1 143,66**	**2 179,46**	**3 904,69**	**6 461,86**	**5 878,29**	**8 223,21**	**7 973,14**
TV	220 734,26						
g	1%						
Wacc	6,25%						
EV	**189 204,88**						
Market Value of Debt	157 502,74						
Equity Value	**31 702,14**						
Price per share	**0,05**						

Source: Nova Research

7.4 Emerging Countries

In order to reach an enterprise value for the Emerging Countries segment we decided to compute Discounted Cash Flows for each of these countries due to their different currencies. We have explicitly forecasted financials for 2013E-19E and assumed a terminal value for the period thereafter based on a growth rate of 2%. This growth rate was higher than the one defined for France and Iberia due to the potential growth Emerging Countries have and will have in the future, as it was seen in the macroeconomic analysis.

Exhibit 65 - ER Evolution



Source: Qanda

The forecasts of the income statement, balance sheet and cash flow statement were made in national currencies and then cash flows were converted to Euros. Brazil is the Emerging Country which presents the biggest contribution. Brazil´s enterprise value is EUR 713.17 millions and it represents 96% of the Emerging Countries Enterprise Value. Argentina on the other side represents 17% of the

Emerging Countries EV, with a value of EUR 123.1 million. These percentages are higher than 100% due to China´s negative Enterprise Value. The Enterprise Value of China contrarily to what was expected, contributes negatively to the whole Enterprise Value with a value of EUR -93.3 million. In conclusion, the value of the Emerging Markets all combined is EUR 742.93 million or EUR 0,87 per share and represent 15% in a base scenario analysis. The values are discriminated by country in exhibit 66.

Exhibit 66 -Emerging Countries Valuation

DCF Emerging Countries (Expressed in thousands of euros)	2014E
EV Brasil	782 589,86
EV Argentina	141 356,80
EV China	-100 169,69
EV Emerging Markets	**823 776,97**
Market Vaue of Debt	179 243,70
Equity Value	**644 533,27**
Price per share	**0,99**

Source: Nova Research

7.4. Scenario Analysis

In our analysis, we value DIA´s operations using DCF models. The problem is that this approach is based on several assumptions and expectations about the future. In order to minimize the risk of making inaccurate assumptions, we have decided to not only take into account our base case, but also two worst-case scenarios. In Portugal and Spain there is no sense to do a scenario analysis. These countries are recovering and no further downturn will happen due to the ongoing reform processes and to the EU members support. Therefore, our worst-case scenario is in the Emerging Market where DIA has more activity, Brazil.

We have constructed a scenario where a "Boom" will happen at Brazil. Brazil has grown a lot in the past years and its exchange rate in relation to euro has been increasing. The exchange rate that in 2003 was 0,2851, in 2012 was 0,399 having decrease from 2011 to that year (exhibit 65). It illustrates that the real has been enriching and that last year we will need 0,399 euros to buy one real. This demonstrates Brazil capability to be big but the fact is that the economy is growing too fast. In the next year, Brazil will receive the Football World Cup and with that a huge investment in stadiums and facilities have been made.

Therefore, we expect the exchange rates of real/euro to reduce by 70% of the initial forecasted from 2015 onwards as a consequence of the economic "boom". This scenario resulted in a lower EV that the base case due to the fact that Brazil contribution to the entire company is considerable. This resulted in an Enterprise Value of EUR 4492.14 million or EUR 5,52 per share, a reduction of 9.23% when compared with the base scenario. In conclusion, we do not consider this scenario to be fully unrealistic and therefore allocated a probability of 5%.

Exhibit 67- -Scenario Valuation

Scenario 1 (Expressed in thousands of euros)	2014E
EV DIA	**4 492 144,53**
Market Value of Debt	897 998,23
Equity Value	**3 594 146,30**
Shares Outstanding	651 070,00
Fair Value - Price per share	**5,52**

Source: Nova Research

7.5. Sum-of-the-parts Valuation

The last step in our valuation was to put the valuation outputs of the scenarios together by probability- weighting with a 95:5 split between base and worst-case scenarios. From there, we derived our YE14 target price of EUR 6.19 as shown in exhibit 68.

Exhibit 68 -Valuation Summary

Expressed in thousands of Euros	EV	Probability
Base Scenario	4 949 315,73	95%
Scenario 1	4 492 144,53	5%
EV DIA	**4 926 457,17**	
Market Value of Debt	897 998	
Equity Value	**4 028 458,94**	
Shares Outstanding	651 070	
Fair Value - Price per share	**6,19**	

Source: Nova Research

7.6. Risks

This valuation resides in a huge number of assumptions that determine the fair value price of the company in analysis. Therefore, there are some implicit risks reflected in the fair value price of DIA. In what regards the Iberia segment, we have seen the economic downturn felt in Portugal and Spain and that is going to recover thanks to austerity measures being in practice nowadays. This has affected and could affect the consumption level of the population. The restructuring programme taking place in France could produce returns below expectations affecting the valuation made to this segment. Regarding the Emerging Countries, there are some risks adjacent to these countries. For example, there are country-specific risks derived from the political instability or the high inflation rates felt in Brazil and Argentina. There are also currency risks due to the exposure to exchange rate fluctuations between the Euro and the Brazilian real, Argentinian Peso and Chinese Yuan. In relation to the whole DIA, the major risk come from the separation from Carrefour that could bring different conditions with suppliers as DIA approaches the capital markets in a standalone basis.

7.7. Sensitivity Analysis

After performing a scenario analysis in relation to the Emerging Countries performance it is important to make a sensitivity analysis to the Iberia segment since DIA is highly dependent on the terminal growth rate and its constituents. Our assumption of g22 being 1% implies a reinvestment rate (RR) of 1.49%, given our ROIC of 67.21% for the last projected year 2019E. The exhibit 69 shows the analysis made to our Iberia value per share on changes in the RR or in the ROIC. In conclusion, the fair price per share ranges between EUR 4.90 and EUR 6.06 and showed that with a reinvestment rate 61 b.p higher and with the same ROIC the fair value of Iberia would increase 4.63%.

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[22] The terminal growth rate g is composed by the product of ROIC and the reinvestment rate, which itself is simply the difference between 1 and the payout ratio.

Exhibit 69 -Sensitivity Analysis

		ROIC						
	5,18	53,00%	62,00%	65,00%	67,21%	72,00%	77,00%	83,00%
	0,85%	4,90	4,94	4,95	4,96	4,98	5,00	5,03
	1,00%	4,94	4,99	5,00	5,01	5,04	5,06	5,09
	1,30%	5,02	5,08	5,10	5,12	5,15	5,18	5,23
RR	1,49%	5,07	5,14	5,17	5,18	5,22	5,27	5,32
	1,60%	5,10	5,18	5,21	5,23	5,27	5,32	5,37
	2,10%	5,25	5,36	5,39	5,42	5,49	5,55	5,64
	2,80%	5,47	5,63	5,69	5,73	5,83	5,93	6,06

Source: Nova Research

7.8. Multiples

In conclusion, we decided to perform a comparable analysis between DIA´s competitor´s based on multiples. The multiples we have used where the EV/Sales, the EV/EBITDA and EV/EBIT and we computed the median and average of them.

The companies we have compared DIA to where the same companies we have used for beta calculation. As well as it happened in the beta calculation, these companies where divided between Europe and Emerging Markets. This division is important because the markets are different from each other. On one hand, in Europe they are limited growth opportunities, reflecting DIA´s main operation segment, Iberia and France. On the other hand, in Emerging Markets they are more growth opportunities because of the markets being in development. This segment has been surpassing France revenues in the last two years and is where DIA is going to invest in the future.

Accordingly to what was expected, the results show that DIA is trading closer to the median multiples of Europe but are still trading below its industry peers, as it was evident in the section 2 of the report.

Exhibit 70 -Multiples Valuation

Multiples	2013			2014			2015		
Company	EV/Sales	EV/EBITDA	EV/EBIT	EV/Sales	EV/EBITDA	EV/EBIT	EV/Sales	EV/EBITDA	EV/EBIT
TESCO PLC	na	na	na	na	na	na	na	na	na
CARREFOUR SA	6,8x	11,0x	68,9x	4,8x	9,0x	53,3x	4,9x	8,8x	15,2x
METRO AG	6,4x	10,9x	24,9x	3,6x	5,6x	21,0x	3,1x	6,0x	3389,5x
JERONIMO MARTINS	na	na	na	na	na	na	na	na	na
COLRUYT SA	8,9x	11,7x	16,4x	8,3x	11,6x	16,4x	6,4x	8,7x	12,6x
DELHAIZE GROUP	na	na	na	na	na	na	na	na	na
WM MORRISON SUP	7,0x	9,5x	13,6x	6,0x	8,0x	11,4x	6,7x	9,3x	13,7x
CASINO GUICHARD	na	na	na	na	na	na	na	na	na
WHOLE FOODS MKT	na	na	na	na	na	na	na	na	na
X 5 RETAIL-GDR	na	na	na	na	na	na	na	na	ns
SAINSBURY PLC	6,4x	10,6x	12,2x	6,6x	10,8x	14,2x	5,7x	9,3x	12,6x
Average - Europe	7,1x	10,7x	27,2x	5,8x	9,0x	23,3x	5,4x	8,4x	688,7x
Median - Europe	6,8x	10,9x	16,4x	6,0x	9,0x	16,4x	5,7x	8,8x	13,7x
CENCOSUD SA	11,7x	15,3x	34,7x	10,4x	13,5x	25,0x	9,2x	11,7x	20,0x
ALMACENES EXITO	13,0x	21,6x	27,2x	12,5x	21,4x	26,2x	11,4x	18,9x	23,3x
PAO ACUCA-PREF	8,9x	11,3x	29,7x	7,6x	9,6x	24,2x	6,6x	8,4x	20,2x
CONTROLA COM-UBC	14,8x	20,4x	31,0x	13,8x	19,3x	28,1x	12,6x	17,8x	25,1x
SORIANA-B	10,4x	13,7x	21,1x	9,7x	12,8x	18,3x	8,7x	11,5x	16,9x
CHEDRAUI	10,2x	13,9x	26,6x	9,5x	12,8x	25,1x	8,4x	11,0x	19,2x
WALMART DE MEX-V	13,4x	16,7x	23,5x	12,1x	14,8x	22,2x	10,6x	12,9x	18,3x
LIANHUA SUPERM-H	na	na	na	na	na	na	na	na	na
BEIJING HUALI-A	2,5x	na	22,5x	2,3x	na	18,1x	1,9x	na	9,6x
PRICESMART INC	20,2x	na	37,1x	18,9x	na	33,2x	na	na	na
E-MART CO LTD	na	na	na	na	na	na	na	na	na
Average - EM	11,7x	16,1x	28,1x	10,8x	14,9x	24,5x	8,7x	13,2x	19,1x
Median - EM	11,7x	15,3x	27,2x	10,4x	13,5x	25,0x	8,9x	11,7x	19,6x
DIA	4,8x	8,2x	18,1x	4,3x	7,2x	14,0x	4,2x	7,0x	13,6x

Source: Nova Research

8. Financials

Financial Ratios	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Debt to Equity Ratio - Book Value	0,86	0,74	6,70	30,64	22,06	14,46	18,20	20,35	19,78	20,26	20,42	21,22
Interest Coverage Ratio	0,06	0,08	0,13	0,21	0,21	0,21	0,21	0,21	0,21	0,21	0,21	0,21
Debt to Assets Ratio	46,18%	42,63%	87,01%	96,84%	95,66%	93,53%	94,79%	95,32%	95,19%	95,30%	95,33%	95,50%
Interest Expense/Debt	0,64%	0,88%	0,66%	1,40%	1,83%	1,77%	2,17%	2,19%	2,21%	2,19%	2,20%	2,16%
Interest Income/Excess Cash	102,73%	135,90%	1,91%	3,19%	2,44%	6,17%	7,66%	7,89%	8,10%	8,23%	8,51%	8,63%

Activity Ratios	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Inventory Turnover	39,35	42,48	17,78	18,74	19,21	19,12	19,12	19,13	19,14	19,14	19,15	19,15
PPE&Intangibles Turnover	15,62	15,25	4,66	4,69	4,87	4,53	4,93	4,97	5,00	5,04	5,09	5,14
Total Assets Turnonver	3,93	3,94	2,95	2,95	2,97	3,03	3,26	3,30	3,34	3,39	3,43	3,48
Average Collection Period	2,60	2,44	6,81	7,14	6,47	6,45	6,45	6,45	6,46	6,46	6,46	6,46
Degree of Operating Leverage	7,36	8,09	14,24	9,32	7,02	7,02	7,02	7,02	7,02	7,02	7,02	7,02
Degree of Financial Leverage	0,55	0,66	1,11	1,20	1,12	1,12	1,12	1,12	1,12	1,12	1,12	1,12
Capex/Sales	6,40%	6,56%	21,46%	21,34%	20,54%	22,09%	20,27%	20,13%	20,00%	19,83%	19,66%	19,47%
NWC/Sales	6,82%	6,60%	12,28%	12,50%	11,25%	11,36%	11,48%	11,62%	11,79%	11,83%	11,83%	11,91%

Profitability Ratios	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Gross Margin	9,52%	9,72%	20,51%	20,27%	19,95%	19,95%	19,95%	19,95%	19,95%	19,95%	19,95%	19,95%
Operating Profit Margin	1,29%	1,20%	1,44%	2,17%	2,84%	2,64%	3,06%	3,06%	3,04%	2,97%	2,96%	2,87%
Net Profit Margin	1,79%	1,58%	1,22%	0,97%	1,45%	1,31%	1,53%	1,56%	1,53%	1,50%	1,50%	1,45%
Return on Assets	7,03%	6,23%	3,59%	2,85%	4,30%	3,97%	5,00%	5,16%	5,10%	5,09%	5,14%	5,04%
Return on Equity	13,07%	10,86%	27,67%	90,21%	99,14%	61,35%	95,94%	110,16%	106,06%	108,22%	110,08%	112,10%
Earnings per Share	0,21	0,18	0,15	0,18	0,24	0,21	0,27	0,28	0,29	0,29	0,31	0,31
Return on Sales	1,79%	1,58%	1,22%	0,97%	1,45%	1,31%	1,53%	1,56%	1,53%	1,50%	1,50%	1,45%

Liquidity Ratios	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Current Ratio	0,62169	0,55604	0,42631	46,93%	48,34%	49,44%	48,78%	48,51%	48,58%	48,52%	48,51%	48,42%
Quick Ratio	35,86%	28,89%	21,95%	24,73%	27,15%	27,26%	25,22%	24,78%	24,54%	24,20%	23,91%	23,52%
Cash Ratio	0,0576	0,047	0,121	0,123	0,141	0,056	0,055	0,054	0,053	0,052	0,051	0,049

Dividend Ratios	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Dividend Yield				1,55%	2,29%	2,09%	2,02%	2,13%	2,15%	2,21%	2,29%	2,33%
Dividend Payout	40,66%	49,39%	455,11%	390,57%	49,53%	62,82%	46,52%	46,52%	46,52%	46,52%	46,52%	46,52%
Cash Flow per Share				0,197	0,171	0,150	0,611	0,485	0,521	0,545	0,582	0,619

ROE Decomposition	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
ROE	13,07%	10,86%	27,67%	90,21%	99,14%	61,35%	95,94%	110,16%	106,06%	108,22%	110,08%	112,10%
Tax Burden	76,11%	86,33%	93,70%	53,07%	57,25%	55,70%	56,41%	57,48%	56,55%	56,86%	57,02%	56,87%
Investing Decision												
Operational Risk	13,58%	12,36%	7,02%	10,73%	14,24%	13,24%	15,31%	15,32%	15,22%	14,90%	14,81%	14,38%
Return on Sales	9,52%	9,72%	20,51%	20,27%	19,95%	19,95%	19,95%	19,95%	19,95%	19,95%	19,95%	19,95%
Efficient use of Assets	3,93	3,94	2,95	2,95	2,97	3,03	3,26	3,30	3,34	3,39	3,43	3,48
Financing Decision												
Cost of Debt	181,72%	152,59%	90,38%	83,61%	88,91%	89,03%	88,91%	88,91%	88,91%	88,91%	88,91%	88,91%
Leverage	1,86	1,74	7,70	31,64	23,06	15,46	19,20	21,35	20,78	21,26	21,42	22,22

Note: ROE = Net Income / Total Equity= (Net Income/ EBT)*(EBIT/Gross Profit Margin)*(Gross Profit Margin/Total Sales)*(EBT/EBIT)*(Total Sales/Total Assets)*(Total Assets/Total Equity)

ROE = Tax Burden*Operational Risk*Return on Sales*Efficient use of Assets*Cost of Debt*Leverage

ROIC Analysis	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
DIA												
Invested Capital	1 275 592	1 374 737	680 437	686 274	783 982	903 901	781 057	744 888	695 796	635 622	561 553	469 889
NOPLAT	102 601	68 988	141 045	166 553	214 229	238 129	302 431	307 850	319 569	324 338	334 884	341 337
ROIC		5,41%	10,26%	24,48%	31,22%	30,37%	33,46%	39,41%	42,90%	46,61%	52,69%	60,78%
Average ROIC		5,21%	13,73%	24,37%	29,14%	28,22%	35,90%	40,35%	44,36%	48,72%	55,95%	66,19%
Iberia												
Invested Capital	676 630	762 339	381 410	391 807	378 709	617 236	490 754	481 820	472 714	462 561	453 092	443 444
NOPLAT	98 884	65 131	134 933	161 927	209 564	231 702	298 983	301 975	311 562	317 559	323 629	331 013
ROIC		9,63%	17,70%	42,45%	53,49%	61,18%	48,44%	61,53%	64,66%	67,18%	69,96%	73,06%
Average ROIC		9,05%	23,59%	41,88%	54,40%	46,53%	53,97%	62,10%	65,28%	67,91%	70,69%	73,84%
						8,60%	8,60%	8,60%	8,60%	8,60%	8,60%	8,60%
France												
Invested Capital	443 118	433 396	155 905	127 243	234 974	234 062	229 374	224 268	217 079	208 011	198 724	186 931
NOPLAT	1 795	1 765	3 012	1 641	1 504	793	-1 724	-91	1 146	-1 021	2 373	182
ROIC		0,40%	0,69%	1,05%	1,18%	0,34%	-0,74%	-0,04%	0,51%	-0,47%	1,14%	0,09%
Average ROIC		0,40%	1,02%	1,16%	0,83%	0,34%	-0,74%	-0,04%	0,52%	-0,48%	1,17%	0,09%
Emerging Countries												
Invested Capital	155 845	179 002	171 344	184 109	208 148	90 199	107 547	104 833	101 155	115 729	136 216	149 843
NOPLAT	1 922	2 092	3 101	2 985	3 160	5 634	5 171	5 965	6 862	7 801	8 882	10 142
ROIC		1,34%	1,73%	1,74%	1,72%	2,71%	5,73%	5,55%	6,55%	7,71%	7,67%	7,45%
Average ROIC		1,25%	1,77%	1,68%	1,61%	3,78%	5,23%	5,62%	6,66%	7,19%	7,05%	7,09%

Key Ratios Iberia	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Inventory Turnover	39,35	42,48	17,78	18,74	19,21	19,06	19,06	19,06	19,06	19,06	19,06	19,06
PPE&Intangibles Turnover	16,71	14,83	4,53	4,56	4,75	4,12	4,85	4,91	4,97	5,03	5,09	5,16
Average Collection Period	2,60	2,44	6,81	7,14	6,47	6,47	6,47	6,47	6,47	6,47	6,47	6,47
Operating Profit Margin	2,20%	2,20%	2,67%	4,18%	5,50%	4,39%	4,90%	4,94%	4,97%	5,01%	5,04%	5,07%
Return on Sales	3,04%	2,90%	0,73%	1,85%	2,94%	2,17%	2,45%	2,51%	2,49%	2,52%	2,54%	2,55%
Receivables/Revenues	0,71%	0,67%	1,87%	1,96%	1,77%	1,77%	1,77%	1,77%	1,77%	1,77%	1,77%	1,77%
Consumer Loans/Revenues	0,00%	0,00%	0,03%	0,02%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%
Consumer Loans Current/Revenues	0,00%	0,00%	0,06%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%
Operational Cash/Revenues	0,01%	0,01%	0,07%	0,06%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%
Provisions/Revenues	1,46%	1,23%	1,92%	1,73%	0,99%	1,04%	1,04%	1,04%	1,04%	1,04%	1,04%	1,04%
Inventories/COGS	2,62%	2,44%	6,00%	5,75%	5,69%	5,69%	5,69%	5,69%	5,69%	5,69%	5,69%	5,69%
Payables/COGS	8,90%	8,70%	19,22%	19,63%	18,99%	18,99%	18,99%	18,99%	18,99%	18,99%	18,99%	18,99%

Key Ratios France	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Inventory Turnover	39,35	42,48	17,78	18,74	19,21	19,22	19,22	19,28	19,33	19,33	19,43	19,43
PPE&Intangibles Turnover	13,60	16,80	4,84	4,66	4,52	4,28	4,07	3,88	3,70	3,53	3,37	3,22
Average Collection Period	2,60	2,44	6,81	7,14	6,47	6,34	6,34	6,34	6,34	6,34	6,34	6,34
Operating Profit Margin	0,11%	0,13%	0,13%	0,10%	0,11%	0,01%	-0,18%	-0,06%	0,05%	-0,14%	0,17%	-0,03%
Return on Sales	0,16%	0,17%	0,03%	0,04%	0,06%	0,00%	-0,09%	-0,03%	0,02%	-0,07%	0,09%	-0,02%
Receivables/Revenues	0,71%	0,67%	1,87%	1,96%	1,77%	1,74%	1,74%	1,74%	1,74%	1,74%	1,74%	1,74%
Consumer Loans/Revenues	0,00%	0,00%	0,03%	0,02%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%
Consumer Loans Current/Revenues	0,00%	0,00%	0,06%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%
Operational Cash/Revenues	0,01%	0,01%	0,07%	0,06%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%
Provisions/Revenues	1,46%	1,23%	1,92%	1,73%	0,99%	1,02%	1,02%	1,02%	1,02%	1,02%	1,02%	1,02%
Inventories/COGS	2,57%	2,38%	5,83%	5,51%	5,38%	5,38%	5,38%	5,38%	5,38%	5,38%	5,38%	5,38%
Payables/COGS	8,73%	8,50%	18,67%	18,79%	17,96%	17,96%	17,96%	17,96%	17,96%	17,96%	17,96%	17,96%

Key Ratios Emerging Countries	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Inventory Turnover	39,35	42,48	17,78	18,35	19,21	19,21	19,21	19,21	19,21	19,21	19,21	19,21
PPE&Intangibles Turnover	15,32	14,48	4,77	4,89	5,42	6,58	6,22	6,25	6,25	6,25	6,25	6,25
Average Collection Period	2,60	2,44	6,81	7,29	6,47	6,47	6,47	6,47	6,47	6,47	6,47	6,47
Operating Profit Margin	0,11%	0,16%	0,14%	0,15%	0,14%	0,33%	0,28%	0,28%	0,28%	0,28%	0,28%	0,28%
Return on sales	0,15%	0,21%	0,04%	0,07%	0,07%	0,13%	0,11%	0,11%	0,11%	0,11%	0,11%	0,11%
Receivables/Revenues	0,71%	0,67%	1,87%	2,00%	1,77%	1,77%	1,77%	1,77%	1,77%	1,77%	1,77%	1,77%
Consumer Loans/Revenues	0,00%	0,00%	0,03%	0,02%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%	0,01%
Consumer Loans Current/Revenues	0,00%	0,00%	0,06%	0,06%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%	0,05%
Operational Cash/Revenues	0,01%	0,01%	0,07%	0,06%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%	0,07%
Provisions/Revenues	1,46%	1,23%	1,92%	1,76%	0,99%	1,01%	1,01%	1,01%	1,01%	1,01%	1,01%	1,01%
Inventories/COGS	2,57%	2,39%	5,84%	5,62%	5,36%	5,36%	5,36%	5,36%	5,36%	5,36%	5,36%	5,36%
Payables/COGS	8,72%	8,52%	18,68%	19,16%	17,87%	17,87%	17,87%	17,87%	17,87%	17,87%	17,87%	17,87%

9. Financial Statements

CF Statement (Expressed in thousands of euros)	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
SALES	**9 629 000**	**9 600 000**	**9 588 045**	**9 779 473**	**10 124 328**	**10 286 692**	**11 493 460**	**11 869 384**	**12 289 518**	**12 780 086**	**13 333 982**	**13 965 531**
GOODS AND OTHER CONSUMABLES USED	8 712 708	8 667 120	7 621 858	7 796 862	8 104 512							
Gross Profit	916 292	932 880	1 966 187	1 982 611	2 019 816							
OTHER OPERATING INCOME	76 822	71 267	84 951	115 379	136 651							
PERSONNEL EXPENSES	418 967	424 204	796 007	807 875	813 559							
OPERATING EXPENSES	355 215	343 863	776 408	785 299	755 971							
COGS & General Expenses - Operating Costs	9 486 890	9 435 187	9 194 273	9 390 036	9 674 042	9 687 708	10 806 786	11 162 292	11 561 172	12 033 236	12 559 248	13 168 820
EBITDA	218 932	236 080	478 723	504 816	586 937	598 984	686 673	707 092	728 346	746 849	774 734	796 711
TOTAL AMORTISATION AND DEPRECIATION	104 797	115 765	292 321	278 784	279 115	304 936	312 674	320 702	329 785	340 071	351 726	364 943
Trading Profit	114 135	120 315	186 402	226 032	307 822	294 048	373 999	386 389	398 561	406 779	423 007	431 768
TOTAL IMPAIRMENT	-11 530	4 395	8 000	8 989	8 196	10 411	9 930	10 621	11 167	11 865	12 623	13 506
LOSSES ON DISPOSAL OF FIXED ASSETS	0	0	40 359	4 367	12 061	11 943	12 924	13 097	14 322	15 139	16 359	17 606
NON-FINANCIAL AND OTHER CAPITAL GRANTS	-25	-124	0	0	0	0	0	0	0	0	0	0
OTHER LOSSES	1 214	769	0	0	0	0	0	0	0	0	0	0
EBIT	124 476	115 275	138 043	212 676	287 565	271 693	351 146	362 671	373 071	379 775	394 025	400 656
Taxes	37 957	35 165	42 102	64 786	87 588	82 573	106 653	110 227	113 437	115 322	119 818	121 669
Tax Adjustments	16 082	-11 122	45 105	18 663	14 251	24 578	29 435	26 876	30 706	30 336	30 776	31 980
NOPLAT	102 601	68 988	141 045	166 553	214 229	213 699	273 928	279 320	290 340	294 789	304 983	310 967
Depreciation and amortization	104 797	115 765	292 321	278 784	279 115	304 936	312 674	320 702	329 785	340 071	351 726	364 943
Operational Core Gross CF	**207 398**	**184 753**	**433 366**	**445 337**	**493 344**	**518 635**	**586 602**	**600 023**	**620 126**	**634 859**	**656 709**	**675 911**
Net Working Capital	-656 763	-633 842	-1 177 575	-1 222 892	-1 139 089	-1 168 935	-1 319 043	-1 378 962	-1 448 640	-1 511 350	-1 577 344	-1 663 463
Change in NWC		22 921	-543 733	-45 317	83 804	-29 847	-150 108	-59 919	-69 678	-62 710	-65 994	-86 119
Capex	616 493	629 498	2 057 275	2 086 879	2 079 974	2 272 395	2 330 058	2 389 885	2 457 572	2 534 218	2 621 075	2 719 570
Net Capex		128 770	1 720 098	308 388	272 210	497 357	370 337	380 530	397 473	416 716	438 583	463 439
Other operating assets	1 644	1 656	49 489	75 805	95 517	88 531	100 324	104 259	108 585	113 552	119 094	124 581
Change in other operating assets		12	47 833	26 316	19 712	-6 986	11 793	3 935	4 326	4 967	5 542	5 487
Other operating liabilities	91 494	25 233	130 309	124 164	125 668	132 760	150 358	158 098	158 425	163 345	168 790	178 017
Change in other operating liabilities		-66 261	105 076	-6 145	1 504	7 092	17 598	7 740	327	4 920	5 445	9 226
Net changes in other operating assets and liabilities		-66 273	57 243	-32 461	-18 208	14 078	5 805	3 805	-3 999	-47	-97	3 739
Operational Core Investing CF		-217 964	-1 119 122	-295 532	-374 222	-453 432	-214 424	-316 806	-331 794	-354 053	-372 687	-373 581
Core Business FCF		**-33 211**	**-685 755**	**149 805**	**119 122**	**65 203**	**372 178**	**283 217**	**288 332**	**280 806**	**284 022**	**302 330**
Non-Operational Assets	1 462 983	1 476 786	102 671	136 439	165 624	173 318	155 450	149 905	153 222	141 352	129 144	122 884
Change in Non-Operational Assets		13 803	-1 374 115	33 768	29 185	7 694	-17 868	-5 545	3 317	-11 870	-12 208	-6 261
Non-Operational Liabilities	57 271	74 128	221 114	265 793	292 377	332 791	340 239	367 030	421 511	483 870	566 759	660 870
Change in Non-Operational Liabilities		16 857	146 986	44 679	26 584	40 414	7 448	26 791	54 482	62 359	82 889	94 110
Non-Operational CF		3 054	1 521 101	10 911	-2 601	32 719	25 316	32 336	51 165	74 228	95 097	100 371
Total FCF to the Firm		**-30 157**	**835 346**	**160 716**	**116 521**	**97 922**	**397 495**	**315 553**	**339 497**	**355 035**	**379 119**	**402 700**
FINANCE COSTS	-7 252	-9 153	-18 628	-44 780	-59 514	-56 229	-72 673	-75 058	-77 210	-78 598	-81 547	-82 919
Tax shield from Finance Costs	2 209	2 788	5 674	13 639	18 127	17 127	22 135	22 861	23 517	23 940	24 838	25 256
FINANCE INCOME	53 927	52 881	5 945	159 057	8 367	206 850	10 217	10 552	10 855	11 050	11 465	11 657
PROFIT OF FINANCIAL INSTRUMENTS	55 045	138 522	-27 731	220 357	-81 940	267 036	12 691	32 063	25 373	28 087	30 723	29 532
PROFIT OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	0	0	-600	870	1 070	1 324	1 307	1 349	1 388	1 413	1 466	1 491
Dividends paid to shareholders	-70 000	-75 000	-532 000	-368 600	-72 498	-84 639	-81 943	-86 238	-87 266	-89 333	-92 932	-94 253
Equity	1 317 384	1 398 424	422 489	104 616	147 663	219 632	183 578	168 267	176 853	177 436	181 454	180 717
Change in Equity		-70 818	-1 092 829	-412 247	-103 339	-62 765	-212 182	-200 671	-178 982	-191 430	-195 729	-203 324
Interest Bearing Debt	10 703	15 224	568 453	865 802	979 735	808 326	726 047	705 380	647 923	587 427	509 648	419 080
Change in Interest Bearing Debt		4 521	553 229	297 349	113 933	-171 409	-82 279	-20 667	-57 457	-60 496	-77 779	-90 568
Excess Cash	52 495	38 911	310 505	284 144	343 417	128 200	133 433	133 688	133 973	134 306	134 682	135 110
Change in Excess Cash		-13 584	271 594	-26 361	59 272	-215 217	5 233	255	285	333	376	428
FCF from Financing		**30 157**	**-835 346**	**-160 716**	**-116 521**	**-97 922**	**-397 495**	**-315 553**	**-339 497**	**-355 035**	**-379 119**	**-402 700**

Income Statement (Expressed in thousands of euros)	2013E	2014E	2015E	2016E	2017E	2018E	2019E
SALES	10 286 692	11 493 460	11 869 384	12 289 518	12 780 086	13 333 982	13 965 531
Sales per sqm	3 236	3 512	3 522	3 531	3 545	3 559	3 574
Sales Growth	1,60%	11,73%	3,27%	3,54%	3,99%	4,33%	4,74%
Iberia	6 011 219	7 100 583	7 204 097	7 309 120	7 423 002	7 531 216	7 641 008
France	1 993 502	1 898 010	1 807 093	1 722 226	1 642 960	1 568 883	1 498 146
Emerging Countries	2 281 972	2 494 866	2 858 194	3 258 172	3 714 124	4 233 883	4 826 376
Gross Profit	**2 052 208**	**2 292 960**	**2 367 957**	**2 451 774**	**2 549 643**	**2 660 146**	**2 786 141**
COGS & General Expenses - Operating Costs	9 687 708	10 806 786	11 162 292	11 561 172	12 033 236	12 559 248	13 168 820
EBITDA	**598 984**	**686 673**	**707 092**	**728 346**	**746 849**	**774 734**	**796 711**
TOTAL AMORTISATION AND DEPRECIATION	304 936	312 674	320 702	329 785	340 071	351 726	364 943
Trading Profit	**294 048**	**373 999**	**386 389**	**398 561**	**406 779**	**423 007**	**431 768**
TOTAL IMPAIRMENT	10 411	9 930	10 621	11 167	11 865	12 623	13 506
LOSSES ON DISPOSAL OF FIXED ASSETS	11 943	12 924	13 097	14 322	15 139	16 359	17 606
NON-FINANCIAL AND OTHER CAPITAL GRANTS	0	0	0	0	0	0	0
OTHER LOSSES	0	0	0	0	0	0	0
Operational Profit - EBIT	**271 693**	**351 146**	**362 671**	**373 071**	**379 775**	**394 025**	**400 656**
FINANCE INCOME	7 905	10 217	10 552	10 855	11 050	11 465	11 657
FINANCE COSTS	56 229	72 673	75 058	77 210	78 598	81 547	82 919
PROFIT OF FINANCIAL INSTRUMENTS	17 192	22 219	22 948	23 607	24 031	24 932	25 352
PROFIT OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	1 324	1 307	1 349	1 388	1 413	1 466	1 491
Profit before tax from continuing operations - EBT	**241 885**	**312 216**	**322 464**	**331 711**	**337 671**	**350 341**	**356 237**
Income tax	107 151	136 088	137 104	144 142	145 658	150 594	153 649
Net Income	**134 734**	**176 128**	**185 360**	**187 568**	**192 013**	**199 747**	**202 587**
Implicit tax rate	44,30%	43,59%	42,52%	43,45%	43,14%	42,98%	43,13%

Balance Sheet Rearranged (Expressed in thousands of euros)	2008	2009	2010	2011	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Property, plant and equipment	568 836	582 185	1 597 421	1 625 960	1 618 631							
Goodwill	38 089	38 436	414 435	416 543	422 966							
Other intangible assets	9 568	8 877	45 419	44 376	38 377							
Property, Equipment and Intangible Assets	**616 493**	**629 498**	**2 057 275**	**2 086 879**	**2 079 974**	**2 272 395**	**2 330 058**	**2 389 885**	**2 457 572**	**2 534 218**	**2 621 075**	**2 719 570**
Trade and other receivables non-current	6 439	11 716	0	0	0	0	0	0	0	0	0	0
Trade and other receivables current	62 063	52 375	178 983	191 254	179 556	181 729	203 165	209 864	217 345	226 074	235 923	247 149
Trade and other receivables	68 502	64 091	178 983	191 254	179 556	181 729	203 165	209 864	217 345	226 074	235 923	247 149
Consumer loans from financial companies non-current	0	0	3 191	1 973	1 037	1 054	1 177	1 216	1 259	1 309	1 366	1 430
Consumer loans from financial companies current	0	0	5 634	5 364	5 444	5 531	6 180	6 382	6 608	6 872	7 170	7 509
Inventories	244 689	226 014	539 303	521 926	527 066	537 972	601 252	620 585	642 248	667 861	696 344	729 310
Operational Cash	1 071	794	6 337	5 799	7 009	7 121	7 956	8 217	8 507	8 847	9 230	9 668
Refinancing of consumer loans	0	0	480	0	0	0	0	0	0	0	0	0
Trade and other payables	830 244	806 054	1 726 110	1 780 233	1 758 570	1 794 959	2 006 094	2 070 600	2 142 878	2 228 335	2 323 369	2 433 362
Current provisions	39	702	0	0	0	0	0	0	0	0	0	0
Non-current Provisions	140 742	117 985	184 433	168 975	100 630	106 098	118 631	122 435	126 686	131 649	137 248	143 629
Net Working Capital	**-656 763**	**-633 842**	**-1 177 575**	**-1 222 892**	**-1 139 089**	**-1 168 935**	**-1 319 043**	**-1 378 962**	**-1 448 640**	**-1 511 350**	**-1 577 344**	**-1 663 463**
Current tax assets	0	0	38 392	61 705	80 218							
Prepayments of current assets	1 644	1 656	11 097	14 100	15 299							
Other Operating Assets	**1 644**	**1 656**	**49 489**	**75 805**	**95 517**	**88 531**	**100 324**	**104 259**	**108 585**	**113 552**	**119 094**	**124 581**
Current accruals	37	52	0	0	0							
Current tax liabilities	0	0	106 820	117 313	118 460							
Current income tax liabilities	91 457	25 181	23 489	6 851	7 208							
Other Operating Liabilities	**91 494**	**25 233**	**130 309**	**124 164**	**125 668**	**132 760**	**150 358**	**158 098**	**158 425**	**163 345**	**168 790**	**178 017**
Other Operating Assets - Other Operating Liabilities	**-89 850**	**-23 577**	**-80 820**	**-48 359**	**-30 151**	**-44 229**	**-50 034**	**-53 839**	**-49 840**	**-49 793**	**-49 696**	**-53 435**
Operating Invested Capital	**-130 120**	**-27 921**	**798 880**	**815 628**	**910 735**	**1 059 230**	**960 980**	**957 084**	**959 092**	**973 075**	**994 035**	**1 002 673**
Non-current financial assets	1 205 765	1 280 145	51 665	57 668	65 253							
Other current financial assets	216 177	150 662	21 615	18 981	30 643							
Investments accounted for using the equity method	0	0	108	1 599	1 303							
Deferred tax assets	41 041	45 979	29 283	58 191	54 550							
Non-current assets held for sale	0	0	0	0	13 875							
Non-Operational Assets	**1 462 983**	**1 476 786**	**102 671**	**136 439**	**165 624**	**173 318**	**155 450**	**149 905**	**153 222**	**141 352**	**129 144**	**122 884**
Deferred tax liabilities	57 271	74 128	10 377	85 614	115 509							
Other financial liabilities	0	0	208 190	178 287	154 687							
Liabilities directly associated with non-current assets held for sale	0	0	2 547	1 892	22 181							
Non-Operational Liabilities	**57 271**	**74 128**	**221 114**	**265 793**	**292 377**	**332 791**	**340 239**	**367 030**	**421 511**	**483 870**	**566 759**	**660 870**
Non-Operating Invested Capital	**1 405 712**	**1 402 658**	**-118 443**	**-129 354**	**-126 753**	**-159 472**	**-184 789**	**-217 125**	**-268 290**	**-342 518**	**-437 615**	**-537 986**
Total Invested Capital	**1 275 592**	**1 374 737**	**680 437**	**686 274**	**783 982**	**899 758**	**776 192**	**739 959**	**690 802**	**630 557**	**556 420**	**464 687**
Capital	3 899	3 899	3 899	67 934	67 934	67 934	67 934	67 934	67 934	67 934	67 934	67 934
Share Premium	848 533	848 533	848 533	618 157	618 157	618 157	618 157	618 157	618 157	618 157	618 157	618 157
Reserves	743 975	383 221	-565 396	-648 968	-624 624	-601 193	-678 641	-703 184	-696 806	-700 668	-704 385	-707 962
Net profit for the period	172 157	151 858	122 149	98 462	157 884	134 734	176 128	185 360	187 568	192 013	199 747	202 587
Prior year´s profit and loss - Retained Earnings and losses	-457 057	2 346	0	0	0	0	0	0	0	0	0	0
Other own equity instruments	5 370	7 834	0	-37 066	-53 089	0	0	0	0	0	0	0
Translation differences	172	-14	4 594	86	-13 516	0	0	0	0	0	0	0
Grants, Donations and bequests received	335	747	0	0	0	0	0	0	0	0	0	0
Cash flow hedges	0	0	-20	167	-647	0	0	0	0	0	0	0
Other equity instruments	0	0	16 524	0	0	0	0	0	0	0	0	0
Equity attributable to equity holders of the Parent	**1 317 384**	**1 398 424**	**430 283**	**98 772**	**152 099**	**219 632**	**183 578**	**168 267**	**176 853**	**177 436**	**181 454**	**180 717**
Non-controling interests	0	0	-7 794	5 844	-4 436	0	0	0	0	0	0	0
Total Equity	**1 317 384**	**1 398 424**	**422 489**	**104 616**	**147 663**	**219 632**	**183 578**	**168 267**	**176 853**	**177 436**	**181 454**	**180 717**
Non-current borrowings	2 540	1 214	27 994	599 656	553 112	644 350	563 547	551 005	504 354	458 838	395 898	318 980
Current borrowings	8 163	14 010	540 459	266 146	426 623	163 976	162 500	154 375	143 569	128 589	113 750	100 100
Total borrowings	**10 703**	**15 224**	**568 453**	**865 802**	**979 735**	**808 326**	**726 047**	**705 380**	**647 923**	**587 427**	**509 648**	**419 080**
Interest bearing debt	**10 703**	**15 224**	**568 453**	**865 802**	**979 735**	**808 326**	**726 047**	**705 380**	**647 923**	**587 427**	**509 648**	**419 080**
Excess Cash	**52 495**	**38 911**	**310 505**	**284 144**	**343 417**	**128 200**	**133 433**	**133 688**	**133 973**	**134 306**	**134 682**	**135 110**
Total Funds	**1 275 592**	**1 374 737**	**680 437**	**686 274**	**783 982**	**899 758**	**776 192**	**739 959**	**690 802**	**630 557**	**556 420**	**464 687**

10. Appendixes

10.1. Appendix 1 – Sqm Estimation

Number Stores by country (Thousands)	2010			2011			2012			2013E	2014E	2015E	2016E	2017E	2018E	2019E
Type of store	COCO	COFO+FOFO	TOTAL	COCO	COFO+FOFO	TOTAL	COCO	COFO+FOFO	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Spain	1,761	1,005	2,766	1,64	1,187	2,827	1,615	1,31	2,925	3,962	3,972	3,982	3,993	4,003	4,013	4,023
Portugal	0,353	0,186	0,539	0,345	0,208	0,553	0,333	0,239	0,572	0,775	0,777	0,779	0,781	0,783	0,785	0,787
IBERIA	**2,114**	**1,191**	**3,305**	**1,985**	**1,395**	**3,38**	**1,948**	**1,549**	**3,497**	**4,737**	**4,749**	**4,761**	**4,773**	**4,785**	**4,798**	**4,810**
Argentina	0,363	0,85	1,213	0,376	0,119	0,495	0,403	0,156	0,559	0,646	0,746	0,851	0,970	1,106	1,260	1,437
Brazil	0,259	0,149	0,408	0,249	0,231	0,48	0,249	0,312	0,561	0,648	0,749	0,854	0,973	1,110	1,265	1,442
Turkey	0,563	0,327	0,89	0,703	0,412	1,115	0,614	0,479	1,093	-	-	-	-	-	-	-
China	0,244	0,142	0,386	0,187	0,97	1,157	0,177	0,139	0,316	0,365	0,422	0,481	0,548	0,625	0,712	0,812
EMERGING MARKETS	**1,429**	**1,468**	**2,897**	**1,515**	**1,732**	**3,247**	**1,443**	**1,086**	**2,529**	**1,659**	**1,917**	**2,186**	**2,491**	**2,840**	**3,238**	**3,691**
FRANCE	**0,76**	**0,176**	**0,936**	**0,671**	**0,245**	**0,916**	**0,633**	**0,255**	**0,888**	**0,873**	**0,873**	**0,873**	**0,873**	**0,873**	**0,873**	**0,873**
TOTAL DIA	**4,303**	**2,835**	**7,138**	**4,171**	**3,372**	**7,543**	**4,024**	**2,89**	**6,914**	**7,270**	**7,540**	**7,820**	**8,138**	**8,499**	**8,909**	**9,374**

Stores Selling Area (Mln sqm)	2010	%	2011	%	2012	%	2013	%	2014	%	2015	%	2016	%	2017	%	2018	%	2019	%
Spain	1,194	45,11%	1,215	44,30%	1,2429	44,10%	1,6836	52,96%	1,6879	51,57%	1,6922	50,21%	1,6965	48,74%	1,7008	47,18%	1,7052	45,51%	1,7095	43,75%
Portugal	0,208	7,86%	0,2113	7,70%	0,2172	7,71%	0,2942	9,25%	0,2950	9,01%	0,2957	8,77%	0,2965	8,52%	0,2972	8,24%	0,2980	7,95%	0,2987	7,64%
IBERIA	**1,402**	**52,97%**	**1,4263**	**52,01%**	**1,4601**	**51,81%**	**1,978**	**62,21%**	**1,983**	**60,58%**	**1,988**	**58,98%**	**1,993**	**57,26%**	**1,998**	**55,42%**	**2,003**	**53,46%**	**2,008**	**51,39%**
Old stores	1,402		1,402	98,30%	1,4263	97,69%	1,4601	73,82%	1,978	99,75%	1,983	99,75%	1,988	99,75%	1,993	99,75%	1,998	99,75%	2,003	99,75%
New Stores of each year	0		0,0243	1,70%	0,0338	2,31%	0,518	26,18%	0,005	0,25%	0,005	0,25%	0,005	0,25%	0,005	0,25%	0,005	0,25%	0,005	0,25%
Stores/Selling area	2,36		2,37		2,40		2,40		2,40		2,40		2,40		2,40		2,40		2,40	
Argentina	0,135	5,10%	0,1479	5,39%	0,1649	5,85%	0,1905	5,99%	0,2202	6,73%	0,2510	7,45%	0,2861	8,22%	0,3261	9,05%	0,3718	9,92%	0,4238	10,85%
Old stores	0,135		0,135	91,28%	0,1479	89,69%	0,1649	86,54%	0,1905	86,54%	0,2202	87,72%	0,2510	87,72%	0,2861	87,72%	0,3261	87,72%	0,3718	87,72%
New Stores of each year	0		0,0129	8,72%	0,017	10,31%	0,0256	13,46%	0,0296	13,46%	0,0308	12,28%	0,0351	12,28%	0,0400	12,28%	0,0456	12,28%	0,0520	12,28%
Brazil	0,168	6,35%	0,2088	7,61%	0,2573	9,13%	0,2973	9,35%	0,3435	10,50%	0,3916	11,62%	0,4464	12,83%	0,5089	14,11%	0,5801	15,48%	0,6613	16,92%
Old stores	0,168		0,168	80,46%	0,2088	81,15%	0,2573	86,54%	0,2973	86,54%	0,3435	87,72%	0,3916	87,72%	0,4464	87,72%	0,5089	87,72%	0,5801	87,72%
New Stores of each year	0		0,0408	19,54%	0,0485	18,85%	0,0400	13,46%	0,0462	13,46%	0,0481	12,28%	0,0548	12,28%	0,0625	12,28%	0,0712	12,28%	0,0812	12,28%
Turkey	0,187	7,06%	0,2284	8,33%	0,223	7,91%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
China	0,085	3,21%	0,0667	2,43%	0,0713	2,53%	0,0824	2,59%	0,0952	2,91%	0,1085	3,22%	0,1237	3,55%	0,1410	3,91%	0,1608	4,29%	0,1832	4,69%
Old stores	0,085		0,085	127,44%	0,0667	93,55%	0,0713	86,54%	0,0824	86,54%	0,0952	87,72%	0,1085	87,72%	0,1237	87,72%	0,1410	87,72%	0,1608	87,72%
New Stores of each year	0		-0,0183	-27,44%	0,0046	6,45%	0,0111	13,46%	0,0128	13,46%	0,0133	12,28%	0,0152	12,28%	0,0173	12,28%	0,0197	12,28%	0,0225	12,28%
EMERGING MARKETS	**0,575**	**21,72%**	**0,6518**	**23,77%**	**0,7165**	**25,42%**	**0,570**	**17,94%**	**0,659**	**20,13%**	**0,751**	**22,29%**	**0,856**	**24,60%**	**0,976**	**27,07%**	**1,113**	**29,69%**	**1,268**	**32,46%**
Old stores	0,575		0,575	88,22%	0,6518	90,97%	0,7165	125,65%	0,570	86,54%	0,659	87,72%	0,751	87,72%	0,856	87,72%	0,976	87,72%	1,113	87,72%
New Stores of each year	0		0,0768	11,78%	0,0647	9,03%	-0,146	-25,65%	0,09	13,46%	0,092	12,28%	0,105	12,28%	0,120	12,28%	0,137	12,28%	0,156	12,28%
Stores/Selling area	5,04		4,98		3,53		3,53		3,53		3,53		3,53		3,53		3,53		3,53	
FRANCE	**0,67**	**25,31%**	**0,6643**	**24,22%**	**0,6418**	**22,77%**	**0,6312**	**19,85%**	**0,6312**	**19,29%**	**0,6312**	**18,73%**	**0,6312**	**18,14%**	**0,6312**	**17,51%**	**0,6312**	**16,85%**	**0,6312**	**16,15%**
Old stores	0,67		0,67	100,86%	0,6643	103,51%	0,6418	101,68%	0,6312	100,00%	0,6312	100,00%	0,6312	100,00%	0,6312	100,00%	0,6312	100,00%	0,6312	100,00%
New Stores of each year	0		-0,0057	-0,86%	-0,0225	-3,51%	-0,0106	-1,68%	0,0000	0,00%	0,0000	0,00%	0,0000	0,00%	0,0000	0,00%	0,0000	0,00%	0,0000	0,00%
Stores/Selling area	1,40		1,38		1,38		1,38		1,38		1,38		1,38		1,38		1,38		1,38	
TOTAL DIA	**2,647**	**100,00%**	**2,7424**	**100,00%**	**2,8184**	**100,00%**	**3,1793**	**100,00%**	**3,2730**	**100,00%**	**3,3702**	**100,00%**	**3,4804**	**100,00%**	**3,6053**	**100,00%**	**3,7470**	**100,00%**	**3,9078**	**100,00%**
Old stores	2,647		2,647	96,52%	2,7424	97,30%	2,8184	88,65%	3,1793	97,14%	3,2730	97,11%	3,3702	96,83%	3,4804	96,54%	3,6053	96,22%	3,7470	95,89%
New Stores of each year	2,647		0,0954	3,60%	0,076	2,77%	0,3609	11,35%	0,0937	2,95%	0,0973	2,89%	0,1102	3,17%	0,1249	3,46%	0,1417	3,78%	0,1608	4,11%

10.2. Appendix 2 – Sales per sqm Estimation

Sales per Sqm Estimation	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Portugal	1%	1%	1,50%	1,50%	1,50%	1,50%	1,50%
Spain	1,30%	1%	1,20%	1,20%	1,30%	1,20%	1,20%
Inflation Iberia	1,30%	1,00%	1,20%	1,20%	1,30%	1,20%	1,20%
Sales per sqm-Iberia	3,55	3,59	3,63	3,67	3,72	3,76	3,81
New Stores sqm-Iberia	1,60	1,61	1,63	1,65	1,67	1,69	1,71
Inflation Rate	2013	2014	2015	2016	2017	2018	2019
France	1%	1,50%	1,50%	1,60%	1,70%	1,80%	1,80%
Sales per sqm-France	3,16	3,01	2,86	2,73	2,60	2,49	2,37
Inflation Rate	2013	2014	2015	2016	2017	2018	2019
Argentina	10,80%	10,80%	10,80%	10,80%	10,80%	10,80%	10,80%
Brazil	5,90%	5,80%	5%	4,50%	4,50%	4,50%	4,50%
China	3%	3%	3%	3%	3%	3%	3%
Sales per sqm - Brasil	15,18	16,06	16,87	17,63	18,42	19,25	20,11
New Stores sqm - Brasil	4,55	4,82	5,06	5,29	5,53	5,77	6,03
Sales per sqm - Argentina	37,37	38,09	38,83	39,58	40,35	41,13	41,93
New Stores sqm - Argentina	12,46	13,80	15,29	16,94	18,77	20,80	23,05
Sales per sqm - China	17,87	18,40	18,96	19,52	20,11	20,71	21,33
New Stores sqm - China	8,04	8,28	8,53	8,79	9,05	9,32	9,60

10.3. Appendix 3 – Comparables

Company	Country	Currency	Ticker
CENCOSUD SA	CL	LCU	CENCOSUD CI Equity
ALMACENES EXITO	CO	LCU	EXITO CB Equity
PAO ACUCA-PREF	BZ	LCU	PCAR4 BZ Equity
CONTROLA COM-UBC	MX	LCU	COMERUBC MM Equity
SORIANA-B	MX	LCU	SORIANAB MM Equity
CHEDRAUI	MX	LCU	CHDRAUIB MM Equity
WALMART DE MEX-V	MX	LCU	WALMEXV MM Equity
LIANHUA SUPERM-H	CH	LCU	980 HK Equity
BEIJING HUALI-A	CH	LCU	600361 CH Equity
PRICESMART INC	US	LCU	PSMT US Equity
E-MART CO LTD	SK	LCU	139480 KS Equity

Company	Country	Currency	Ticker
TESCO PLC	GB	LCU	TSCDF US Equity
CARREFOUR SA	FR	LCU	CA FP Equity
METRO AG	GE	LCU	MEO GR Equity
JERONIMO MARTINS	PO	LCU	JEM GR Equity
COLRUYT SA	BE	LCU	COLR BB Equity
DELHAIZE GROUP	BE	LCU	DHZ GR Equity
WM MORRISON SUP	GB	LCU	MRW LN Equity
CASINO GUICHARD	FR	LCU	CAJ GR Equity
WHOLE FOODS MKT	US	LCU	WFM GR Equity
X 5 RETAIL-GDR	RU	LCU	PJP GR Equity
SAINSBURY PLC	GB	LCU	SBRY LN Equity

10.4. Appendix 4 – Exchange rates Forecast

Exchange rates to Euro - PPP Method	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Brasil - Real	0,30	0,40	0,45	0,41	0,37	0,35	0,35	0,35	0,35	0,35	0,35	0,35
Argentina - Peso	0,21	0,18	0,19	0,18	0,15	0,14	0,14	0,14	0,14	0,14	0,14	0,14
China - Yuan	0,10	0,10	0,11	0,12	0,12	0,12	0,12	0,12	0,12	0,12	0,12	0,12

Disclosures and Disclaimer

Research Recommendations

Buy	Expected total return (including dividends) of more than 15% over a 12-month period.
Hold	Expected total return (including dividends) between 0% and 15% over a 12-month period.
Sell	Expected negative total return (including dividends) over a 12-month period.

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