ANNUAL REPORT ON DIRECTORS' COMPENSATION

2011

Distribuidora Internacional de Alimentación, S.A.

I. INTRODUCTION.

This report sets out Distribuidora Internacional de Alimentación, S.A. (the "**Company**" or "**DIA**") compensation policy in respect of its directors and has been prepared in accordance with the provisions in article 61 *ter* of Spanish Act 24/1988, on the Securities Market, of July 28, the Recommendation no 40 of the Unified Good Governance Code (*Código Unificado de Buen Gobierno*) approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) on May 22, 2006, and articles 39 and 32, respectively, of the Articles of Association and the Board of Directors Regulation (the "**Board Regulation**") of the Company.

This report has been approved –following a favourable opinion by the Appointment and Compensation Committee– by the Board of Directors of the Company on February 24, 2012, for submission to the General Shareholders' Meeting on a consultative basis as a separate item in the agenda.

I.1 Board of Directors of the Company

In accordance with article 39.6 of the Articles of Association and article 32.12 of the Board Regulation, the Board of Directors of DIA is the competent body to prepare and issue, together with the annual report on corporate governance ("**ARCG**"), this annual report on directors' compensation.

Pursuant to the aforementioned provisions, the report should include complete, clear and understandable information on the Company's compensation policy as approved by the Board of Directors for the present year and, if appropriate, as foreseen for future years. The report shall also include a global summary detailing the application of the compensation policy during the year, and details of any compensation accrued by each individual Director.

Additionally, pursuant to article 31 of the Articles of Association and article 5 of the Board Regulation, the Board of Directors of the Company is authorised, among others, to:

- set out, in accordance with the Articles of Association and subject to any restrictions therein, the compensation and remuneration policies for the Directors, upon a proposal by the Appointment and Compensation Committee; and
- set out, regarding executive Directors, any additional compensation for its executive functions and any other terms and conditions that must observe their contracts.

I.2 Appointment and Compensation Committee

I.2.1 Competence in respect of compensation

Pursuant to article 38.4 of the Board Regulation of the Company, the Appointment and Compensation Committee is authorised, among others, to:

- submit a proposal to the Board of Directors in respect of: (i) the mechanism and amount of the annual compensation payable to the Directors; (ii) the individual compensation payable to each executive Directors and the senior managers as well as other terms and conditions of the agreements governing their relationship with the Company; and (iii) the basic terms and conditions of the agreements governing the relationship between the Company and such senior managers;
- consider, set out and review from time to time the Company's compensation policy as applicable to the executive Directors and senior managers, including any compensation in the form of shares, and to ensure that any such compensation remains appropriate when compared to any compensation payable to the other Directors and members of the management team and other members of the staff;
- ensure compliance with any compensation policies set out by the Company; and
- support the Board of Directors in respect of the preparation of the report on directors' compensation policy, and to submit to the Board any other reports on compensation provided for by these regulations.

Accordingly the Appointment and Compensation Committee has played a significant role in the preparation of this report, by carrying out an internal process of preparation and assistance so as to ensure the Company's alignment with best corporate governance practices and applicable laws and regulations.

I.2.2 Composition in 2011

As of December 31, 2011, the members of the Appointment and Compensation Committee were as follows:

Name of Director	Type of Director	Office in the Commission
Mr. Pierre Cuilleret	External independent Director	Chairman
Mr. Mariano Martín Mampaso	External independent Director	Member
Mr. Nicolás Brunel	External proprietary Director	Member

The Secretary non member of the Appointment and Compensation Committee is Mr. Ramiro Rivera Romero, who is also the Secretary non Director of the Board of Directors of the Company. The Vice-secretary non member of the Appointment and Compensation Committee is Mr. Miguel Ángel Iglesias, who is also the Vice-secretary non Director to the Board of Directors of the Company and the Chief Lawyer of the Company's legal department.

No changes have taken place to the composition of the Appointment and Compensation Committee during 2011 since its creation in July 2011 (with occasion of the admission to trading of the shares of DIA).

No member of the Appointment and Compensation Committee has served either as an executive Director, as a member of the senior management or as an employee of the Company.

The Articles of Association and the Board Regulation states that the Appointment and Compensation Committee shall be made up of a minimum of three and maximum of five external Directors, mostly independent Directors, to be determined by the Board of Directors. The members of the Appointment and Compensation Committee shall be appointed by the Board of Directors of the Company.

The Board Regulation state that this Committee shall meet as often as necessary, in the opinion of its chairman, who shall be required to call a meeting of this Committee whenever a report is to be issued or a proposal is to be submitted and otherwise whenever appropriate to perform its functions properly.

I.2.3 Proceedings of the Appointment and Compensation Committee

As required by the Board Regulation, all resolutions passed by the Appointment and Compensation Committee shall be recorded in minutes, and any such resolutions shall be reported to the full Board of Directors of the Company. The minutes shall be available for inspection by each member of the Board of Directors.

Additionally the Appointment and Compensation Committee may request the advice of any external expert, in accordance with the rules set out in the Board Regulation.

The members of the Board of Directors, the management team or the employees of the Company shall be required to attend the meetings of the Appointment and Compensation Committee and provide any cooperation and access to information if so requested by the Committee.

I.2.4 External advisors

The Appointment and Compensation Committee has been assisted by Towers Watson as market information provider and advisor to the Board of Directors and the management team in respect of the design of the compensation policy and, specifically, the incentive and long-term compensation for officers (including the executive Director) of the Company.

II. COMPANY’S COMPENSATION POLICY.

The Board of Directors, assisted by the Appointment and Compensation Committee, has prepared this report in accordance with the provisions in the Articles of Association and the Board Regulation which obligates the Board of Directors to approve a compensation policy in respect of the Company’s Directors.

II.1 Principles and objectives of the compensation policy.

For the purposes of this compensation policy for Directors, the guidelines set out by the Company to the effect that the compensation offered to Directors must be appropriate to attract, retain and motivate Directors with outstanding professional profiles suitable for helping to achieve the strategic goals of the Company have been kept in mind at all times.

Specifically, the Company's compensation policy for Directors is based on the following principles:

- The Appointment and Compensation Committee proposes to the Board of Directors of the Company this compensation policy and assists the Board so that such policy may be submitted and approved by the Board and then made available to the shareholders with occasion of the notice convening the next General Meeting of the Company.
- Directors' compensation shall consist of a fixed monthly amount and expenses for attendance to each session of the Board of Directors and its committees.
- The maximum compensation payable by the Company to the Directors shall be established by the General Meeting and shall remain in effect unless and until amended by such meeting. Starting from such a maximum figure the Board of Directors of the Company shall allocate the particular compensation payable to each Director on the basis of: (i) the nature of such a Director as a member of any corporate body exercising functions delegated by the Board; (ii) the positions held by a Director in such a body or otherwise; and (iii) the Director's level of commitment in respect of any management tasks or service to the Company.
- The Board shall procure that compensations are moderate and appropriate in light of the compensations of other companies of similar size and activity, so that any compensation paid by the Company is in line with best market practices. The Company's compensation policy shall take into account the competitive environment where the attainment of goals depends largely on the quality, dedication, responsibility, knowledge of the business and commitment to the Company of the individuals in key positions leading the organization.
- Any remuneration derived from the position as a board member shall be compatible with and independent from any other professional or employment compensation due to a Director as a result of any executive or advisory functions performed by such a Director other than those of supervision and collegiate decision typical of its position as such, which shall be governed by any applicable laws and regulations.
- External and executive Directors compensation shall be detailed in the Company's annual report on an individual basis.
- In respect of external Directors, the Board shall take all appropriate measures to ensure that their compensation, including where appropriate any compensation payable to an external Director as a member of any Committee, complies with the following criteria:
    a. the external Director should be compensated on the basis of their actual commitment, qualification and responsibility;
    b. the amount of such compensation shall be designed so that it offers an incentive for his commitment but does not hinder his independence; and
    c. the external Director shall not be eligible for compensation in the form of shares, stock options or other instruments linked to the price of the shares, and shall not benefit from any benefits funded by the Company in case of removal, death or other instances. The above restrictions shall not apply in respect of compensation in the form of shares if the external Director must keep such shares until his removal as Director.

- Directors shall also be entitled to be paid any duly justified expenses incurred in order to attend the meetings of the Board of Directors or any Committees.
- The Company may purchase D&O insurance in respect of its Directors.
- Executive Directors may receive compensation in the form of shares of the Company or in other group company, as well as stock options or other instruments linked to their listing price.

  If the compensation is linked to the shares of the Company or to instruments linked to the share price then any such compensation must be submitted for approval to the General Meeting. The resolution of the General Meeting shall include, where appropriate, the number of shares to be delivered, the exercise price for any option rights, the reference value of the shares and the period during which this kind of compensation shall be available.

  Any delivery of shares and exercise of any stock options or options to buy any shares or rights to receive compensation on the basis of a variation in the share price shall be subject to duly measurable performance criteria laid down in advance.

  No stock options or rights may be exercised until a minimum period of two (2) years has elapsed from the date when such options or rights were granted. Following the acquisition of full title over the shares, the Directors shall be required to retain a minimum number of shares until the end of their office subject, where appropriate, to any need to finance any costs arising in respect of such acquisition. To that effect the number of shares to be retained shall be equivalent to twice the value of the Director's aggregate annual compensation.

  Executive Directors' compensation may also include variable remuneration linked to the performance of the Company or benefits packages.

  Any fixed element of compensation should be appropriately sized so that the Company may withhold any variable remuneration if the Director fails to comply with any performance criteria established by the Company.

  If variable remunerations are agreed, the Company should ensure that any amounts paid thereunder are related to the professional performance of the Director rather than merely to general developments in the market or industry where the Company operates or other similar circumstances. Specifically, any variable remuneration shall:

  a. be linked to duly measurable performance criteria laid down in advance;

  b. promote the sustainability of the Company in the long term and include non-financial criteria such as compliance with rules and procedures designed to create long-term value in the Company;

  c. at the time of payment, a substantial portion thereof shall be deferred for a minimum period of time to verify that the relevant performance criteria are met;

  d. any deferred amount of the remuneration shall be determined on the basis of the relative weight of the variable remuneration when compared to the fixed remuneration; and

e. in the case of any contractual undertakings entered into with the Directors, a clause shall be included entitling the Company to claim for reimbursement of any variable amounts if payment thereof did not take place in accordance to the relevant performance criteria or took place on the basis of patently inaccurate data as evidenced after such payment.

- Any other (non-executive) Directors may be remunerated by delivering any shares, provided always that they agree to retain such shares until such time as they cease as Directors.

II.2 Directors' compensation policy and application thereof during the year 2011

On May 9, 2011, the Sole Shareholder (at that time) of the Company set out a maximum gross amount of one million Euros (€1,000,000) per year as remuneration for the Board of Directors. Without prejudice to the competence of the Board of Directors, the Sole Shareholder submitted on such date a proposal for distribution as follows:

Office	Amount (€)
Chairman of the Board of Directors	150,000
Member of the Board of Directors	75,000 (minimum)
Chairman of the Appointment and Compensation Committee	20,000 (additional)
Member of the Appointment and Remuneration Committee	15,000 (additional)
Chairman of the Audit and Compliance Committee	30,000 (additional)
Member of the Audit and Compliance Committee	20,000 (additional)

Additionally, the Sole Shareholder also proposed that the Company should pay its Directors in shares of the Company during their first year. To that effect the Sole Shareholder approved a plan for delivery of bonus shares as follows:

- Number of shares to be delivered: the total number of shares finally delivered shall result from dividing all the compensation received by all Directors (other than attendance expenses, if any) by the closing price of the shares of the Company on the date when the Company's shares started trading.
- Exercise price of the option: being a delivery of bonus shares (i.e., a free delivery of shares as compensation), the exercise price of the option does not apply.
- Value of the reference shares: as noted above.
- Term: this plan shall be in effect during the first year starting on the date when the shares of the Company are admitted to trading.

- Other terms and conditions: all Directors other than executive Directors shall be required to keep their shares until they cease as Directors.

On July 5, 2011 the Board of Directors of the Company approved, on a unanimous vote and following a favourable report issued by the Appointment and Compensation Committee, this proposal submitted by the Sole Shareholder in relation to the Board of Director's compensation for 2011 (as detailed above) subject to the following clarifications:

- The actual amounts to be received as compensation by each Director shall be those proposed by the Sole Shareholder on May 9, 2011.
- All shares accruing to each Director shall be delivered in full from December 15 (including, in such a case, any compensation corresponding to December).
- Any shares to be delivered to the Directors shall be calculated after deducting any withholdings or taxes that the Company may be required to deduct or pay by reason of the tax position of each Director.

Accordingly, the resulting compensation accrued in favour of the members of the Board of Directors of DIA is detailed in paragraph III below.

II.3 Directors' compensation policy based on incentives for years 2011-2014 (including the compensation of the executive Director).

On December 7, 2011 the Board of Directors approved, on the basis of a report and proposal submitted by the Appointment and Remuneration Committee, the plans for remuneration and incentives for its Directors (thus including the executive Director) as shown below. Such approval was duly notified to the shareholders pursuant to the relevant "price sensitive information" (*hecho relevante*) disclosed to the Spanish Securities Market Commission.

For clarification purposes and in accordance with article 32.4 of the Board Regulation, it should be noted that this compensation is paid to the executive Director on the basis of the relevant services or labour relationship, as appropriate, and thus separately and independently from any remuneration accruing to him as board member.

These Plans are subject to the approval of the General Meeting of the Company, and they replace and substitute any resolutions formerly passed in respect of the approval of any compensation programme or plan for officers or Directors.

The Board of Directors believes that the design of such Plans allows for a link between the remuneration payable to the Directors of DIA and its subsidiaries and compliance with the financial and business goals of the Company and its group, thus reinforcing the key management's commitment and alignment with the Company's and its shareholders' goals.

As noted above, such Plans should be deemed established and granted in view of the executive functions of the beneficiaries (including the Executive Directors in DIA or Directors holding any authority under delegation by the Board of DIA under article 39.3 of the Articles of Association), and thus are separate and independent from any annual compensation payable to the members of the Board under resolution no. 5 passed by the Sole Shareholder on May 9, 2011 and confirmed by the Board of Directors on July 5, 2011.

Specifically the Board of Directors has approved the following Plans:

II.3.1 Long-Term Incentive Plan

Beneficiaries: Senior officers (including Executive Directors) of DIA and its present or future subsidiaries as determined by the Board of Directors and complying with the requirements set out in the relevant general terms and conditions, who voluntarily accept to join the Plan. Such a group is currently estimated at approx. 60 individuals. The Board of Directors may, upon a proposal by the Appointment and Compensation Committee, include other officers as beneficiaries of this plan.

Purpose: The purpose of this plan is to grant and pay variable compensation partly in cash and partly in shares of DIA subject to compliance with a series of business targets of the Company and its Group and certain indicators linked to the value of the shares of the Company, provided always that the beneficiary maintains their employment or commercial relationship with DIA and/or its subsidiaries on the reference dates.

II.3.2 Multiannual Variable Compensation Plan

Beneficiaries: Senior officers of DIA and its present or future subsidiaries as determined by the Board of Directors and complying with the requirements set out in the relevant general terms and conditions, who voluntarily accept to join the Plan. Such a group is currently estimated at approx. 150 individuals. The Board of Directors may, upon a proposal by the Appointment and Compensation Committee, include other officers as beneficiaries of this plan.

Purpose: The purpose of this plan is to grant and pay variable compensation in shares of DIA subject to compliance with a series of business targets of the Company and its Group, provided always that the beneficiary maintains their employment or commercial relationship with DIA and/or its subsidiaries on the reference dates.

II.3.3 Maximum amount payable under the Plans

The maximum total amount in Euros which is estimated could be conceded to the beneficiaries of the overall Plans amounts up to approximately 49 million Euros , from which 80% (aprox.) and 20% (aprox.) is estimated to be payable under the Long-Term Incentive Plan and the Multiannual Variable Compensation Plan, respectively.

II.3.4 Term of the Plans

The Plans shall be in effect until December 31, 2014 with several settlement dates provided.

III. COMPENSATION ACCRUED TO INDIVIDUAL BOARD MEMBERS OF THE COMPANY DURING 2011.

The following table sets out the remuneration accrued to each Director in 2011 as a member of the Board of Directors and of the relevant Committee from July 5, 2011 (the date on which such Committees were established):

Name of Director	Board of Directors	Audit and Compliance Committee	Appointment and Compensation Committee	Total remuneration (thousand €)
Ms. Ana María Llopis Rivas	75	0	0	75
Mr. Ricardo Currás de don Pablos	37.5	0	0	37.5
Mr. Nicolás Brunel	37.5	0	7.5	45
Mr. Pierre Cuilleret	37.5	0	10	47.5
Mr. Julián Díaz González	37.5	15	0	52.5
Mr. Richard Golding	37.5	10	0	47.5
Mr. Mariano Martín Mampaso	37.5	0	7.5	45
Mr. Nadra Moussalem	37.5	10	0	47.5
Ms. Rosalía Portela de Pablo	37.5	0	0	37.5
Mr. Antonio Urcelay Alonso	37.5	0	0	37.5
Total	**412.5**	**35**	**34**	**472.5**

Waiver of remuneration by Mr. Currás: On February 24, 2012 Mr. Currás gave up his right to a remuneration of €37,500 otherwise accrued to him as Director of the Company, given Mr. Currás' status as an "executive Director" and in accordance with the Company's internal policy applied in the past whereby executive Directors receive no remuneration for their functions as members of the Board.

Delivery of shares: As described in Section II.2 above, the aforementioned remunerations have been paid by delivering shares of DIA.

After making the relevant deductions and tax withholdings as applicable in each case, each individual Director has received the following shares:

- Ms. Ana María Llopis Rivas: she qualifies under “other external Directors” and is the Chairman of the Board of Directors of DIA: 15,216 shares of DIA.
- Mr. Mariano Martin Mampaso qualifies as independent external Director. He is a member of the Appointment and Compensation Committee: 10,675 shares of DIA.
- Mr. Ricardo Currás de don Pablos: he qualifies as executive Director. Mr. Currás has given up his right to a compensation as member of the Board of Directors of the Company and, accordingly, he has received no shares for this reason. Additionally, total compensation accrued by reason of his executive functions (though not as a member of the Board) amounted to €703,000. Out of such figure, €426,000 have accrued to him as fixed remuneration and remuneration in kind, while €3,200 relate to life insurance premiums and €274,000 correspond to his variable remuneration (estimated at December 31, 2011 to be €221,000); accordingly, Mr. Currás’ variable remuneration represents 39% of his total remuneration. Variable remuneration (which only applies to the executive Director in the Board of Directors) is based on objective criteria designed to assess the executive Director’s contribution (as an officer of the Company) to the business targets set out for the Company and its Group, including both business targets at the level of the DIA Group (for instance, like-for-like increase in sales, in Adjusted EBIT or in market share, etc.) and individualised targets customised for the relevant officer (including quantitative and qualitative targets) for the period under consideration. Specifically during 2011, and on the basis of the degree of compliance with the targeted objectives and an assessment of the individual targets, the system of annual premium (or bonus) for the executive Director allowed for a fluctuation between 0 and twice the so-called *bonus target* (or bonus for the target initially set).
- Mr. Nicolás Brunel: he qualifies as an external proprietary Director. He is a member of the Appointment and Compensation Committee: 10,675 shares of DIA.
- Mr. Pierre Cuilleret qualifies as an external independent Director. He is the chairman of the Appointment and Compensation Committee: 11,268 shares of DIA.
- Mr. Julián Díaz González qualifies as an external independent Director. He is the chairman of the Audit and Compliance Committee: 12,454 shares of DIA.
- Mr. Richard Golding: he qualifies as an external independent Director. He is a member of the Audit and Compliance Committee: 9,637 shares of DIA.
- Mr. Nadra Moussalem qualifies as an external proprietary Director. He is a member of the Audit and Compliance Committee: 11,268 shares of DIA.
- Ms. Rosalía Portela de Pablo qualifies as an external independent Director: 7,609 shares of DIA.
- Mr. Antonio Urcelay Alonso qualifies as an external independent Director: 7,609 shares of DIA.

The Company also has taken out D&O insurance for the benefit of its Directors, including a maximum coverage of €50,000,000. Except as otherwise noted above in relation to

Mr. Currás, the Company has no other liability in respect of pensions, life insurance or other obligations in favour of the Directors of the Company.

The Company has not distributed any amounts as allowances (*dietas*) to Directors.

The executive Director receives no remuneration as a Director in other companies within the DIA group.

Benefits for the executive Director: DIA meets the cost of a life insurance policy for the benefit of the executive Director Mr. Ricardo Currás covering against death from any cause whatsoever (distinguishing between death from any cause, death due to any accident other than road accidents and death due to a road accident) and against total permanent disability. During 2011, the premium for such policy paid for by the Company amounted to €3,200.

Fundamental terms and conditions governing the agreement of the executive Director: In addition to any terms and conditions governing remuneration as described above, the following terms and conditions qualify as fundamental terms and conditions of the agreement with the executive Director:

– *Term:* indefinite.

– *Advance notice:* in the event of resignation or voluntary departure the executive Director shall notify the Company in writing at least three months before the actual date of resignation or departure. On the other hand, if the Company intends to terminate the agreement, in case of management dismissal, the Company shall notify the Director at least six months before the actual date of termination.

– *Compensation*: In accordance with the provisions in the agreement with the executive Director, the executive Director is entitled to receive compensation -in the event that the Company terminates his agreement and employment relationship (and any other contractual relationship) for any reason other than a lawful dismissal for misconduct- equal to forty-five days of salary per year of service (for the period from November 24, 1986 to April 30, 2009) plus eight days of salary per year of service (for the period starting on May 1, 2009), up to the limit of his latest gross annual salary, excluding any salary in kind and any capital gains or income derived from the receipt or exercise of any stock options or bonus shares or any other similar benefits.

IV. DIRECTORS' COMPENSATION POLICY FOR YEARS 2012 AND BEYOND.

For year 2012, the Board of Directors have resolved to introduce the following changes to the compensation policy for Directors:

- To increase the remuneration of the members of the Appointment and Compensation Committee so as to make their remuneration (including both the remuneration of the members of such Committee and any higher remuneration payable to its Chairman) equal to the remuneration currently payable to the members of the Audit and Compliance Committee (see Section II.2 above), so that as from year 2012 (inclusive) both Committees shall receive the same remuneration;

- There is no intention to pay any allowances (*dietas*) due to Directors' attendance to Board of Directors meetings during the year 2012;
- A proposal shall be submitted to the General Meeting to increase the maximum amount payable to the Board of Directors up to €1,500,000 per year, though the amount of remuneration payable to the Board of Directors for the year 2012 shall not be altered, i.e., shall remain at the current limit of €1,000,000;
- Structure of remuneration for Directors during year 2012: 50% payable in cash, and 50% payable in shares of the Company;
- Executive Directors shall receive no compensation as "Directors";
- Number of shares to be delivered as remuneration for the office of Director in year 2012: the number of shares to be delivered shall be the result of dividing 50% of the remuneration of each Director (after the relevant tax deductions) by the volume-weighted average price of a share in DIA determined on the basis of the closing price the fifteen business days prior to February 24, 2012 (inclusive);
- Other terms and conditions: non-executive Directors shall be required to retain their shares until such time as they cease as Directors;
- Any cash and shares attributable to each Director shall be delivered in a single occasion from December 15 (including, in such a case, any compensation due in respect of December); and
- Any shares to be delivered to the Directors shall be calculated after deducting any withholdings or taxes that the Company may be required to deduct or pay by reason of the tax position of each Director.

Additionally, the Board of Directors of DIA has passed the following resolutions in respect of the remuneration due to the executive Director by reason of its functions as senior executive in accordance with its contractual relationship with the Company, regardless of any participation by the executive Director in the incentive plans described in Section II.3 above. The Board of Directors has resolved:

- To establish the fixed compensation for year 2012 at €445,000; and
- In light of the policy adopted by the Company to the effect that a substantial portion of the compensation should be linked to the attainment of certain objectives based on the results and other indicators of the Group (established, among others, in accordance with objective criteria and targets in the medium and long term), to establish Mr. Currás' bonus target at 75% if 100% of the objectives are attained (which means that Mr. Currás' variable compensation may eventually reach 150% of his fixed remuneration).

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This report on Directors' Compensation has been approved –following a favourable opinion by the Appointment and Compensation Committee– by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. on February 24, 2012, for submission to the General Shareholders' Meeting on a consultative basis as a separate item in the agenda.