



REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“DIA”) PURSUANT TO THE PROVISIONS OF SECTIONS 286, 297.1.b) AND 506 OF THE SPANISH COMPANIES LAW, IN CONNECTION WITH THE PROPOSED AUTHORIZED CAPITAL RESOLUTION UNDER ITEM SEVENTH ON THE AGENDA FOR THE GENERAL SHAREHOLDERS’ MEETING OF DIA CALLED TO BE HELD ON JUNE 12 AND 13, 2012, ON FIRST AND SECOND CALL, RESPECTIVELY

I. Purpose of the report

This report has been prepared by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (hereinafter, “DIA” or the “Company”) pursuant to the provisions of Sections 286, 297.1.b) and 506 of the restated text of the Companies Law (*Ley de Sociedades de Capital*) (the “Spanish Companies Law”), approved by Royal Legislative Decree 1/2010, of July 2, in order to support the proposal submitted for approval of the shareholders at the General Shareholders’ Meeting of the Company called to be held on June 12, 2012, at 12:00 a.m., on first call, and the following day, June 13, 2012, at the same time, on second call, under item seventh on the agenda, in connection with the authorization to the Board of Directors of the Company to increase the share capital, within a term of five (5) years, by up to one-half (1/2) of the share capital existing at the time of the authorization, on one or more occasions and at the time and in the amount it deems appropriate, with the power to exclude pre-emptive rights as provided in Section 506 of the Companies Law.

II. Rationale for the proposal

Pursuant to Section 297.1.b) of the Spanish Companies Law, the shareholders at the General Shareholders’ Meeting may, by complying with the requirements established to amend the By-Laws, delegate to the Board of Directors the power to resolve, on one or more occasions, to increase the share capital up to a given amount, at the time and in the amount decided by the Board, without previously consulting with the shareholders at the General Shareholders’ Meeting. The aforementioned legal provision establishes (i) that the amount of such capital increases may under no circumstances exceed one-half (1/2) of the share capital of the Company at the time of the authorization; and (ii) that they must be made by means of cash contributions within a maximum period of five years from the date that the resolution is adopted at the General Shareholders’ Meeting.

The Board of Directors believes that the proposed resolution submitted for approval by the shareholders at the General Shareholders’ Meeting is justified by the advisability of making use of the mechanism contemplated by current corporate laws and regulations whereby the Board is given an instrument which allows it to carry out one or more increases in share capital, within the limits and subject to the periods, terms and conditions decided by the shareholders at the General Meeting, without calling or holding a new General Shareholders’ Meeting. It is noted that the dynamics of large commercial listed companies and the current environment and circumstances of the market, in which the success of many strategies frequently depends on the ability of the company to deal with them, requires that their strategy decision-making bodies have the most suitable instruments to respond appropriately

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and in time to the needs of the company at any time, including the need of new funding. In general, it is not possible to anticipate what the Company's capital needs will be and, besides that, as stated before, the recourse to shareholders at the General Shareholder's Meeting, which entails, in many cases, delays and increased costs, may hinder a prompt and effective response by the Company to market needs. Therefore, it is proposed to approve the aforementioned authorization that will improve the Board of Director's responsiveness by providing it with an appropriate level of flexibility to meet the Company's needs as required by the circumstances.

Volume of capital increases

Therefore, and for such purposes, the proposal to use the device provided by Section 297.1 of the Spanish Companies Law is submitted to the shareholders at the General Shareholder's Meeting, consisting of delegating to the Board of Directors the resolve to increase the Company's share capital by the maximum amount of €3,966,800.

Exclusion of pre-emptive rights

Additionally, Section 506 of the Spanish Companies Law sets forth that, in case of listed companies, when the shareholders at the General Shareholders' Meeting delegate the power to increase the share capital in accordance with Section 297.1.b) of such Law, the Board of Directors may also be given the power to exclude pre-emptive rights with respect to issuances of shares covered by the delegation, provided that (i) the circumstances described in such section are present, (ii) such proposed exclusion is stated in the call to the General Shareholders' Meeting, and (iii) the par value of the shares to be issued plus the issue premium, if any, is equal to the fair value of the shares of the Company as set forth in the report to be prepared, at the request of the Board of Directors, by an auditor other than the auditor of the Company, appointed for such purpose by the Commercial Registry on each occasion that the Board exercises the power to exclude pre-emptive rights.

This possibility of excluding pre-emptive rights is also expressly provided for in Article 11.2 of the current By-Laws of the Company.

The Board of Directors believes that this additional possibility, which implies a significant improvement in the Board of Director's responsiveness in contrast to a simple delegation of the power to increase share capital, is justified by several reasons. Firstly, the exclusion of pre-emptive rights normally allows for a reduction of the costs associated with the transaction (including, specially, the fees of the financial entities participating in the issuance) as compared to an issuance with pre-emptive rights. Secondly, the exclusion of pre-emptive rights enables the directors to increase the promptness and responsiveness which is sometimes necessary to act in today's financial markets in order to take advantage of the times when market conditions are more favorable. Furthermore, the exclusion of pre-emptive rights may allow the Company to optimize the financial conditions of the transaction and, in particular, the issue price of the new shares, as it may bring it closer to the expectations of the qualified investors to whom such capital increases are customarily addressed, while reducing execution

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risks through a lower exposure of the transaction to changes in market conditions. Finally, the exclusion of pre-emptive rights mitigates the distorting effect on trading in the Company's shares during the issuance period, which tends to be shorter than for an issuance with pre-emptive rights.

The ability to exclude pre-emptive rights is a power that the shareholders acting at the General Shareholders' Meeting delegate to the Board of Directors, and it is within the purview of the Board to decide in each case, in view of the specific circumstances and in accordance with the legal requirements, whether or not such rights should effectively be excluded. In the event that the Board of Directors decides to make use of the power to exclude pre-emptive rights in connection with a specific capital increase that it may ultimately approve in exercise of the authorization granted by the shareholders at the General Shareholders' Meeting, a directors' report and an auditor's report shall be prepared as required by Section 308 of the Companies Law. As provided by Section 506 of the Spanish Companies Law, both such reports shall be made available to the shareholders and disclosed at the first General Shareholders' Meeting held after the capital increase resolution is adopted.

Despite the fact that there are no limits imposed neither by the Companies Law nor by the By-Laws of the Company on the right of the shareholders acting at the General Shareholders' Meeting to delegate to the Board of Directors the power to exclude pre-emptive rights, other than the restriction indirectly imposed through the maximum amount of half (1/2) of the share capital that is authorized to be increased by means of the delegation justified hereby, the Board of Directors has believed it more appropriate, in line with international trends and recommendations on good market practices, to limit the use of such power to a maximum of twenty percent (20%) of the share capital at the time of the authorization, in conjunction with the power contemplated in item nine on the agenda.

Listing

The proposal also contemplates making application, when appropriate, for listing of the shares to be issued by the Company under the delegation of powers on Spanish or foreign, official or unofficial, organized or other secondary markets, authorizing the Board of Directors to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

Delegation

Finally, it is proposed to expressly authorize the Board of Directors to delegate the powers contemplated in this proposed resolution, as permitted by Section 249.2 of the Spanish Companies Law.

In sum, the proposed resolution submitted for approval by the shareholders at the General Shareholders' Meeting reads as follows:

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ITEM SEVENTH ON THE AGENDA

Authorization to the Board of Directors, with the express power of substitution, for a period of five (5) years, to increase the share capital in accordance with the provisions of Section 297.1.b) of the Companies Law, by up to one-half (1/2) of the share capital existing at the date of the authorization. Delegation of the power to exclude pre-emptive rights in connection with the capital increases that the Board may approve under this authorization, provided, however, that this power, together with the power contemplated in item nine, shall be limited to an aggregate maximum nominal amount equal to twenty percent (20%) of the share capital on the date of the authorization.

PROPOSED RESOLUTION RELATING TO ITEM SEVENTH

“To authorize the Board of Directors, as broadly as may be required by Law, so that, in accordance with the provisions of Section 297.1.b) of the Companies Law, it may increase share capital on one or more occasions and at any time, within a period of five (5) years from the date of approval of this resolution, by up to one-half (1/2) of the current share capital, which is by the maximum amount of EURO THIRTY THREE MILLION NINE HUNDRED SIXTY SIX THOUSAND AND EIGHT HUNDRED (€ 33,966,800).

Share capital increases under this authorization shall be carried out through the issuance and placement into circulation of new shares (with or without a premium) the consideration for which shall be cash contributions. The Board of Directors shall decide, in connection with each increase, whether the new shares to be issued are common, preferred, redeemable, non-voting or any other kinds of shares among those permitted by Law. In addition, the Board of Directors may establish, as to all matters not otherwise contemplated, the terms and conditions of the share capital increase and the characteristics of the shares, and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of pre-emptive rights. The Board of Directors may also resolve that, in the event of incomplete subscription, the share capital shall be increased only by the amount of the subscriptions made and amend the article of the By-Laws relating to share capital and number of shares.

Furthermore, in connection with the share capital increases that may be carried out under this authorization, the Board of Directors is authorized to totally or partially exclude pre-emptive rights as permitted by Section 506 of the Companies Law, provided, however, that such power shall be limited to share capital increases carried out pursuant to this authorization and to the authorization contemplated in item nine on the agenda up to a maximum amount equal, in the aggregate, to twenty percent (20%) of the current share capital of the Company.

The Company shall, when appropriate, make application for listing of the shares issued under this authorization on Spanish or foreign, official or unofficial, organized or other secondary markets, and the Board of Directors shall be authorized to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.

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Additionally, this delegation to the Board of Directors includes the power to correct and supplement such resolutions as to all matters that may be necessary and to comply with all legal requirements for the successful implementation thereof. To this end, the Board of Directors may correct any omissions or defects that may be identified by any Spanish or foreign authorities, officers or bodies, and may also adopt all such resolutions and execute all such public or private documents as it may deem necessary or appropriate in order to adjust each capital increase to the oral or written assessment of the Commercial Registry or, in general, of any other Spanish or foreign competent authorities, officers or entities.

The Board of Directors is expressly authorized to delegate the powers delegated thereto under this resolution, as permitted by Section 249.2 of the Companies Law.

In accordance with the provisions of Section 286, 297.1.b) and 506 of the Spanish Companies Law, a report has been drawn up by the directors of DIA in order to support the proposal presented hereby.”

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Madrid, May 9, 2012

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