



**REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“DIA”) IN CONNECTION WITH THE PROPOSED DELEGATION TO THE BOARD OF THE POWER TO ISSUE SIMPLE DEBENTURES OR BONDS, NOTES AND OTHER FIXED-INCOME SECURITIES UNDER ITEM EIGHTH 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”) 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 eighth on the agenda, in connection with the delegation of powers to the Board of Directors of DIA, with the express power of substitution, to issue simple debentures or bonds, notes and other fixed-income securities and the authorization so that the Company may guarantee all kinds of obligations to which its subsidiaries may become subject as a result of issuances of securities thereby.

**II. Rationale for the proposal**

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 that the Company makes use of the mechanism contemplated by current corporate laws and regulations whereby the Board is given an instrument which allows it to be at all times, in order to secure the most advantageous financial conditions, in a position to raise, on the primary securities market, a significant volume of funds required for appropriate financing of the corporate business, within the limits and subject to the periods, terms and conditions decided by the shareholders at the General Meeting.

The purpose of this delegation is to provide the Board of Directors of the Company with the flexibility and responsiveness required by today’s competitive environment, in which the success of many strategies frequently depends on the ability of the Company to deal with them quickly, without incurring the delays and costs that inevitably ensue from calling and holding a General Shareholders’ Meeting.

To this end, in accordance with the provisions of Section 319 of the Regulations of the Commercial Registry (*Reglamento del Registro Mercantil*) and pursuant to Articles 14.2 and 16.1.e) of the Company’s By-Laws –which authorize the shareholders at a General Shareholders’ Meeting to delegate to the Board of Directors the power to issue the negotiable securities contemplated in the proposal– the proposed resolution set forth under item eighth on the agenda is submitted for consideration by the shareholders at the General Shareholders’ Meeting.

The proposal authorizes the Board of Directors to issue bonds or simple debentures, notes and other fixed-income securities. Section 510 of the restated text of the Spanish Companies Law (*Ley de Sociedades de Capital*), approved by Royal Legislative Decree 1/2010, of July 2,

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provides that the limit provided in Section 405 of the aforementioned Law regarding the issuance of debentures does not apply to listed corporations (*sociedades anónimas cotizadas*).

#### Volume of the issuances

As to limits on the delegation, the proposed resolution sets the maximum overall limit for the issuance of which authorization is requested. The Board of Directors believes it appropriate that the limit of the authorization requested of the shareholders at the General Shareholders' Meeting be broad enough to permit the required fundraising in the capital markets in order to develop the financing policy of the Company and its group, where appropriate. The maximum limit on the simple debentures, bonds and other fixed-income securities, other than notes, that may be issued under this delegation, comes to the sum of Euro ONE POINT TWO BILLION (€1,200,000,000). Said maximum amount (i) is not referred to the amount of the issuance, but to the maximum overall limit that may be reached at any time by the outstanding nominal balance of the outstanding securities to be issued pursuant to this delegation; and (ii) shall not apply to the issuance of notes, except for the provided in the next paragraph below. A separate limit of Euro FOUR HUNDRED AND EIGHTY MILLION (€480,000,000) is provided for the issuance of notes at any times.

Additionally, the Board of Directors believes it convenient to include a maximum limit to the joint debt represented at any time by all the securities issued by the Company under this authorization, which comes to the sum of Euro ONE POINT TWO BILLION (€1,200,000,000).

#### Issuances by subsidiaries

Moreover, in certain cases it may be advisable to carry out the issuances of securities under this proposal through a subsidiary, supported by a guarantee of the DIA. Therefore, it is considered desirable that the shareholders at the General Shareholders' Meeting authorize the Board of Directors to guarantee, on behalf of the Company and within the limits provided above, such new issuances of securities as may be effected by subsidiaries during the effective period of this resolution, in order that the Board of Directors may be granted the greatest degree of flexibility in structuring the issuances of securities in such manner as may be most appropriate in the circumstances.

#### Listing

Furthermore, it is contemplated that the securities to be issued pursuant to this delegation may be admitted to listing on any appropriate Spanish or foreign, official or unofficial, organized or other secondary market.

#### Delegation

All the powers to be granted to the Board of Directors, if the resolution proposed herein is adopted, shall be granted with the express power of substitution, so as to further contribute to achieving the purpose of expediting the proposed transactions.

The full text of the proposed resolution to delegate the power to issue bonds or simple debentures, notes and other fixed-income securities reads as follows:

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## **ITEM EIGHTH ON THE AGENDA**

**Authorization to the Board of Directors, with the express power of substitution, for a term of five (5) years, to issue: a) bonds or simple debentures and other fixed-income securities (other than notes) up to a maximum amount of Euro one point two billion (€1,200,000,000), and b) notes up to a maximum amount at any given time of Euro four hundred and eighty million (€480,000,000), while the total amount of debt represented at any time by all the securities issued by the Company under sections (a) and (b) above will be jointly limited to Euro one point two billion (€1,200,000,000). Authorization for the Company to guarantee, within the limits set forth above, new issuances of securities by its subsidiaries.**

### **PROPOSED RESOLUTION RELATING ITEM EIGHTH**

*“To delegate to the Board of Directors, in accordance with the general provisions governing the issuance of debentures and pursuant to the provisions of Section 319 of the Regulations of the Commercial Registry and, as well as pursuant to the Company’s By-Laws, the power to issue negotiable securities under the following terms:*

1. *Securities to be issued.- The negotiable securities contemplated in this delegation may be bonds or simple debentures, notes and other fixed-income securities.*
2. *Period of the delegation.- The issuance of the securities covered by this delegation may be effected on one or more occasions within a maximum period of five (5) years following the date of adoption of this resolution.*
3. *Maximum amount under this delegation.-*
  - a) *The aggregate maximum amount of the issuance or issuances of bonds or simple debentures and other fixed-income securities (other than notes), approved under this delegation shall be Euro ONE POINT TWO BILLION (€1,200,000,000) or the equivalent thereof in another currency.*
  - b) *The outstanding balance of the notes that are issued under this delegation shall at no time exceed the sum of Euro FOUR HUNDRED AND EIGHTY MILLION (€480,000,000) or the equivalent thereof in another currency. This limit is independent of the limit established in sub-section a) above.*
  - c) *In no event the total amount of debt represented at any time by the securities issued by the Company under sections (a) and (b) above will be jointly limited to Euro ONE POINT TWO BILLION (€1,200,000,000).*
4. *Scope of the delegation.- The delegation of powers to issue the securities contemplated in this resolution shall extend, as broadly as is required by Law, to the establishment of the different terms and conditions applicable to each issuance (par value, issue price, reimbursement price, domestic or foreign currency of the issuance, form of representation, interest rate, amortization, subordination clauses, guarantees supporting the issuance, place of issuance, law applicable thereto, if appropriate establishment of the internal regulations of the bondholders’ syndicate and appointment of the bondholders’ syndicate representative (comisario) in the case of the issuance of*

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*simple bonds and debentures, if required, admission to listing, etc.) and to the conduct of any and all formalities that may be necessary, including those provided for in the applicable securities market regulations, for the execution of the specific issuances that may be resolved to be effected under this delegation.*

5. *Listing.- The Company shall, where appropriate, make application for listing on Spanish or foreign, official or unofficial, organized or other secondary markets of the securities issued by the Company pursuant to this delegation, and the Board of Directors is authorized, as broadly as is required by Law, to carry out all formalities and acts required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.*

*It is expressly stated for the record that if application is subsequently made for delisting of the securities, it shall be made by complying with the same formalities as the application for listing, to the extent applicable, and, in such case, the interests of the shareholders or bondholders opposing or not voting on the resolution shall be safeguarded in compliance with the requirements established by applicable law. It is also expressly stated that the Company undertakes to comply with all current or future Stock Market laws or regulations and, particularly, by those governing trading, continued listing and delisting of securities.*

6. *Guarantee in support of issuances by subsidiaries.- The Board of Directors is hereby also authorized to guarantee, on behalf of the Company and within the limits set forth above, new issuances of securities by subsidiaries during the effective period of this resolution.*
7. *Power of substitution.- The Board of Directors is hereby expressly authorized to delegate the powers contemplated in this resolution, as permitted by Section 249 of the Spanish Companies Law.*

*It is hereby stated for the record that the directors of the Company have drawn up a report to justify this proposal.”*

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Madrid, May 9, 2012