



REPORT ISSUED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION, S.A., FOR THE PURPOSES OF ARTICLES 286, 296, 297 AND 301 OF THE SPANISH COMPANIES ACT, IN RELATION TO THE PROPOSED RESOLUTION TO INCREASE THE SHARE CAPITAL BY ISSUING NEW SHARES IN TWO SEPARATE TRANCHES OF (I) CAPITALISATION OF CREDITS, AND (II) CASH CONTRIBUTIONS (AND, POTENTIALLY, CAPITALISATION OF CREDITS), WITH RECOGNITION OF SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS AND INCOMPLETE SUBSCRIPTION PROVISION, INCLUDED IN ITEM THREE OF THE AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING HELD ON 22 OCTOBER 2019.

1. Report for the purposes of Articles 286, 296 and 297 of the Spanish Companies Act

(i) Introduction

This report is issued by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (“**DIA**” or the “**Company**”) in relation to the 605,552,246.60 euros proposed share capital increase resolution, through the issue and putting into circulation of 6,055,522,466 new ordinary shares of EUR 0.01 nominal value each, with a share premium of EUR 0.09 per share, of the same class and series as those currently in circulation, considering the capital reduction proposed under agenda item 2 of this general shareholders meeting, represented through book-entries, by means of two separate tranches, the first one, by means of capitalisation of credits and the second one, by means of cash contributions (the “**Capital Increase**”).

The Board of Directors drafts this report in compliance with the provisions of Articles 286, 296, 297 and 301 of the consolidated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July (the “**Spanish Companies Act**”).

The Capital Increase proposal referred to in this report will be submitted for consideration at the Extraordinary General Shareholders' Meeting of DIA, called for 22 October 2019.

It is hereby stated that, due to the Company's liquidity needs, the majority shareholder of the Company, L1R Invest1 Holdings S.à r.l. (“**LetterOne**”), advanced a total amount of EUR 490,000,000.00 to the Company through the execution of two profit participating loans, which were fully drawn down.

Given that LetterOne advanced to the Company, via profit participating loans, EUR 490 million in cash in the months of May and June, for technical reasons the Capital Increase has been designed to be structured in two separate tranches.

The first tranche of the Capital Increase shall be executed by means of a capitalisation of the credit rights that LetterOne holds against the Company, in an amount equivalent

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to the *pro rata* portion of the total amount of the Capital Increase which LetterOne would be entitled to subscribe considering its current stake in DIA (69.759%) (the “**First Tranche**”), had a single EUR 600,000,000.00 capital increase, as it was initially contemplated, fully payable in cash been implemented, that is, for an amount of EUR 418,554,99.60 for the First Tranche.

The second tranche of the Capital Increase shall be executed by means of cash contributions, with preferential subscription rights, and is addressed to all the shareholders of the Company other than LetterOne, that is, holders of 30.241% of the Company's share capital (the “**Second Tranche**”). LetterOne has formally waived its preferential subscription right in the Preferential Subscription Period of this tranche, considering that its *pro rata* portion of the Capital Increase is already covered by the First Tranche.

For clarification purposes, although the pretended effective amount of the Second Tranche amounted to 30.341% of the total EUR 600,000,000.00 Capital Increase, as initially contemplated, that is, EUR 181,445,000.40, said amount has increased in an additional amount of EUR 5,552,246.60 for purely technical reasons and in order to obtain a practicable ratio of the number of preferential subscription rights to be allocated to shareholders for each share of the Company they hold. As a consequence of the increase by EUR 5,552,246.60 in the Second Tranche, the total amount of the Capital Increase in the event that all new shares being issued were fully subscribed, shall be EUR 605,552,246.60.

(ii) Rationale of the proposal

The Board of Directors of the Company submits this proposal to the General Shareholders' Meeting of the Company, in the understanding that, in the current situation, it is essential to enhance the long-term capital and financial structure of the Company so as to enable it to (i) reduce the level of indebtedness of DIA and of the rest of the companies in its consolidated group (the “**Group**”); (ii) meet the Group's financial commitments; and (iii) assume the challenges envisaged in the new transformation plan of the Company.

Likewise, this Capital Increase is due to, and justified within, the framework of the recent refinancing of the Company's syndicated financial debt, this Capital Increase being a necessary requirement for such refinancing. In this regard, the influx of financial resources will be used by the Company to finance the transformation plan envisaged by the Company.

For the same purpose, the Company's Board of Directors has approved a series of measures, including the Capital Increase referred to in this report and the allocation of reserves and capital reduction to offset losses, aimed to achieving an appropriate balance in the Company's balance sheet through the restructuring of net equity items, as well as reducing the Group's overall level of indebtedness.

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Due to the Company's liquidity needs, LetterOne has advanced to the Company funds amounting to 490,000,000 euros, by means of the execution of two profit participating loans (the "**PPLs**") which are already paid in full, due to the liquidity needs that the Company underwent:

- (i) Profit participating loan entered into by and between the Company and LetterOne, on 29 May 2019, for an amount of EUR 40,000,000.00 of principal and with maturity date 28 November 2019 (the "**40 Million PPL**").
- (ii) Profit participating loan entered into by and between the Company and LetterOne, on 26 June 2019, for an amount of EUR 450,000,000.00 of principal and with maturity date 28 November 2019 (the "**450 Million PPL**").

Consequently, the Capital Increase is a part of a set of measures aimed at improving the Company's liquidity and solvency position. The maintenance of an adequate level of own funds and thus, of solvency, is essential to access convenient sources of funding in favourable conditions, which directly affects the Company's costs. Thus, through the Capital Increase the aim is to optimize the cost of the external resources and contribute to an adequate profitability for the shareholders. In this respect, the Company aims, through the Capital Increase and the capital reduction jointly announced, to improve its rating and, eventually, to ease access to capital markets in the future.

In order to reach the abovementioned objectives, it is necessary that the governing and administrative bodies of the Company have the required flexibility to structure, in the most appropriate way to the social interest and according to market conditions, the transaction that is proposed to the General Shareholders' Meeting to raise own funds through new contributions of capital. The delegation recognized by the legal system in the article 297.1.(a) of the Spanish Companies Act is a flexible and suitable mechanism for the Board of Directors to set the Capital Increase conditions in an agile and effective way, according to the specific circumstances of the chosen execution date. Consequently, the proposal to delegate to the Board of Directors the power to indicate the date on which the Capital Increase resolution must be executed and to set the conditions that are to apply thereof in all matters not provide for by the resolution of the General Shareholders' Meeting, is submitted to the General Shareholders' Meeting.

The delegated power shall extend to setting the specific terms and conditions of the Capital Increase, including establishing that, in case of an incomplete subscription, the share capital will be increased by the subscribed amount, as set out in the article 311 of the Spanish Companies Act, as well as amending the statutory article regulating the share capital and requesting the admission of new shares to trading.

In order to submit this Capital Increase proposal for the approval of the General Shareholders' Meeting, it is mandatory, pursuant to the provisions of the aforementioned Articles 286, 296, 297 and 301 of the Spanish Companies Act, and to the extent that the share capital increase resolution necessarily entails the modification

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of Article 5 of the Articles of Association of the Company, which is related to the amount of the share capital, that the Board of Directors formulate this report.

This report includes in this section the rationale for the proposed Capital Increase resolution.

In addition, due to the capitalisation of credits in the First Tranche, and the possibility of capitalising credits in the Second Tranche, in accordance with the provisions of Article 301 of the Spanish Companies Act, the Board of Directors hereby issues a report indicating (i) the nature and characteristics of the credits to be capitalised; (ii) the identity of the creditor; (iii) the number of shares to be created or issued; and (iv) the amount of the increase, in which shall be expressly stated that the credit details match with those included in the accounts of the Company.

In addition to the above, a certificate by DIA's auditor is provided. Said certificate certifies that, once the accounting has been verified, the credit details provided by the Board of Directors match with the accounting details. Article 287 of the Spanish Companies Act requires that the call of the General Shareholders' Meeting must clearly state (i) the points to be modified; and (ii) the right of all shareholders to check at the registered office of the Company the full text of the proposed modification and its report, as well as the possibility of requesting the handing over or free delivery of such documents.

This report was approved all members of the Board of Directors of DIA at its meeting held on 20 September 2019.

2. Report for the purposes of Article 301 of the Spanish Companies Act

(i) First Tranche

The 450 Million PPL to be partially capitalised in the First Tranche in an amount of 418,554,999.60 euros is the one referred to below, with express indication of its creditor, amount and the date it was granted, as these details figure in the Company's accounting:

1. Nature and characteristics of the credit to be capitalised, identity of the subscriber, number of shares to be issued

(i) Nature and characteristics of the credit to be capitalised:

The new shares issued in the First Tranche may be paid up and subscribed by capitalisation of part of the credit under the 450 Million PPL, entered into by and between DIA and LetterOne on 26 June 2019.

The 450 Million PPL may be capitalised in a capital increase, in accordance with the terms of the agreement it is regulated by. The amount of the 450 Million PPL that will be capitalized in this First Tranche of the Capital

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Increase will be 418,554,999.60 euros. In this regard, after the First Tranche there will remain 31,445,000.40 euros of principal to be capitalised of the PPL of 450 Million (the “**Amount Pending To Be Capitalised**”).

Therefore, the 450 Million PPL will comply with the requirements established in Article 301 of the Spanish Companies Act for the capitalization of credits at the time of the execution of the proposed resolution of the Capital Increase and on the date of execution of the public deed of the Capital Increase.

(ii) Identity of subscriber of the shares

The new issued shares by means of the First Tranche would be exclusively subscribed by LetterOne, a holder of 434,220,476 shares of the Company, with registered office at 1-3 Boulevard de la Foire, L-1528, Luxembourg and registered in the Commercial Registry of Luxembourg under number B215109.

(iii) Number of new shares to be issued

In the First Tranche of the Capital Increase 4,185,549,996 new ordinary shares of EUR 0.01 nominal value each, with a share premium of EUR 0.09 per share will be issued and put into circulation, of the same class and series as those currently in circulation, represented through book-entries.

(iv) Amount of the capital increase

The First Tranche of the effective Capital Increase amounts to EUR 418,554,999.60.

2. Certification by the Company's auditor for the purposes of Article 301 of the Spanish Companies Act.

A mandatory certificate to be issued by Ernst & Young, S.L., in its capacity as auditor of the Company, has been requested by means of the provisions of Article 301.3 of the Spanish Companies Act.

This certificate, which will be available to shareholders together with this report, must confirm that:

- (i) once the Company's accounts have been verified, the credit details to be capitalised provided in this report are accurate; and
- (ii) in accordance with the 450 Million PPL, this credit will comply with the requirements established for the capitalization of credits established in Article 301 of the Spanish Companies Act on the date of execution of the public deed documenting the Capital Increase.

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Likewise, for the granting of the public deed documenting the execution of the Capital Increase, Ernst & Young, S.L., in its capacity as auditor of the Company, is expected to issue a new certificate certifying that the total amount of the credit is liquid, due and payable at that date of its capitalisation, and confirming that the maturity of the remaining amount does not exceed five years.

(ii) Second Tranche

The 40 Million PPL and the amount of the 450 Million PPL not capitalised in the First Tranche (EUR 31,445,000.40) can be capitalised. Therefore, the maximum amount to be capitalised in the Second Tranche is EUR 71,445,000.40, in the event that LetterOne requested additional shares in the preferential subscription period or it was necessary to execute part or all of LetterOne's underwriting commitment. The details of the credits, with express indication of their creditor, the amount and the date they were granted, as these details figure in the Company's accounting, are referred to below:

1. Nature and characteristics of the credit to be capitalised, identity of the subscriber, number of shares to be issued

(i) Nature and characteristics of the credit to be capitalised:

A maximum of 714,450,004 new shares in the Second Tranche may be paid up and subscribed by capitalising EUR 71,445,000.40. Said amount is the result of adding the 40 Million PPL and the amount of the 450 Million PPL not capitalised in the First Tranche (EUR 31,445,000.40).

The amount to be capitalised of the aforesaid credits will depend on the number of new shares which are subscribed by the shareholders of the Company in the various preferential subscription periods of the Capital Increase.

Both the 40 Million PPL and the amount of the 450 Million PPL not capitalised in the First Tranche (EUR 31,445,000.40) are can be freely capitalised in accordance with the provisions of the 40 Million PLL agreement and the 450 Million PPL agreement, in accordance with the terms arising from the amendment in a letter signed by LetterOne and DIA, dated 20 September 2019, where it is also agreed that the aforesaid credits, inasmuch as it is necessary for their capitalization, shall be automatically due and payable on the date of their capitalization.

In this regard, both the 40 Million PPL and the amount of the 450 Million PPL not capitalised in the First Tranche (EUR 31,445,000.40) will comply with the requirements established for the capitalization of credits in Article 301 of the Spanish Companies Act at the time of the execution of the proposed resolution of the Capital Increase and on the date of execution of the public deed documenting the Capital Increase.

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(ii) *Identity of the subscriber of shares:*

The maximum amount of 714,450,004 new shares in the Second Tranche which, as the case may be, may be subscribed by capitalization of credits shall be exclusively subscribed by LetterOne, a holder of 434,220,476 shares of the Company, with registered office at 1-3 Boulevard de la Foire, L-1528, Luxembourg and registered in the Commercial Registry of Luxembourg under number B215109.

(iii) *Number of shares to be issued:*

In the Second Tranche of the Capital Increase, a maximum of 714,450,004 new ordinary shares of EUR 0.01 nominal value each, with a share premium of EUR 0.09 per share will be issued and put into circulation, of the same class and series as those currently in circulation, represented through book-entries.

(iv) *Amount of the capital increase:*

The effective amount of the capitalization of credits in the Second Tranche of the Capital Increase shall amount to a maximum of EUR 71,445,000.40.

2. Certification by the Company's auditor for the purposes of Article 301 of the Spanish Companies Act.

A mandatory certificate to be issued by Ernst & Young, S.L., in its capacity as auditor of the Company, has been requested by means of the provisions of Article 301.3 of the Spanish Companies Act.

This certificate, which will be available to shareholders together with this report, must confirm that:

- (iii) once the Company's accounts have been verified, the credit details to be capitalised provided in this report are accurate; and
- (iv) the credits which correspond to the 40 Million PPL and the amount of the 450 Million PPL not capitalised in the First Tranche (EUR 31,445,000.40), will comply with the requirements established for the capitalization of credits established in Article 301 of the Spanish Companies Act on the date of execution of the public deed documenting the Capital Increase.

Likewise, for the granting of the public deed documenting the execution of the Capital Increase, Ernst & Young, S.L., in its capacity as auditor of the Company, is expected to issue a new certificate certifying that the total amount of the credit is liquid, due and payable at that date of its capitalisation, and confirming that the maturity of the remaining amount does not exceed five years.

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3. Capital Increase proposed resolution to be submitted to the General Shareholders' Meeting of the Company

- 3.- **SHARE CAPITAL INCREASE FOR A NOMINAL AMOUNT OF EUR 60,555,224.66 THROUGH THE ISSUE AND PUTTING INTO CIRCULATION OF 6,055,522,466 NEW ORDINARY SHARES OF EUR 0.01 NOMINAL VALUE EACH, WITH A SHARE PREMIUM OF EUR 0.09 AND FOR AN EFFECTIVE AMOUNT OF 605,522,246.60, IN TWO SEPARATE TRANCHES OF (I) CAPITALISATION OF CREDITS, AND (II) CASH CONTRIBUTIONS (AND, POTENTIALLY, CAPITALISATION OF CREDITS) WITH RECOGNITION OF SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS AND INCOMPLETE SUBSCRIPTION PROVISION. DELEGATION TO THE BOARD OF DIRECTORS, WITH POWERS TO SUB-DELEGATE, OF THE NECESSARY POWERS TO EXECUTE THE RESOLUTION AND TO SET THE CONDITIONS IN ALL MATTERS NOT PROVIDED FOR BY THE GENERAL SHAREHOLDERS' MEETING, ACCORDING TO ARTICLE 297.1(A) OF THE SPANISH COMPANIES ACT, AS WELL AS TO AMEND ARTICLE 5 OF THE COMPANY'S ARTICLES OF ASSOCIATION.**

The General Shareholders' Meeting of Distribuidora Internacional de Alimentación, S.A. ("DIA" or the "Company") resolves to increase the share capital in an effective amount (nominal plus share premium) of EUR 605,552,246.60 through two separate tranches, the first by means of capitalisation of credits and the second by means of cash contributions (the "Capital Increase"). The Capital Increase is part of the Company's refinancing and recapitalisation process, in which the Company's majority shareholder, L1R Invest1 Holdings S.à r.l. ("LetterOne"), has advanced a total amount of EUR 490,000,000.00 to the Company through the execution of two profit participating loans, which have already been fully drawn down, due to the Company's immediate liquidity needs.

The approval of this resolution substitutes and revokes the previous capital increase resolution approved by the General Shareholders' Meeting of DIA held on 20 March 2019.

The first tranche of the Capital Increase shall be executed by means of a capitalisation of the credit rights that LetterOne holds against the Company, in an amount equivalent to the pro rata portion of the total amount of the Capital Increase which LetterOne would be entitled to subscribe considering its current stake in DIA (69.759%) (the "First Tranche"), had a single EUR 600,000,000.00 capital increase fully payable in cash been implemented, that is, for an amount of EUR 418,554,99.60 for the First Tranche.

The second tranche of the Capital Increase shall be executed by means of cash contributions, with preferential subscription rights, and is addressed to all the shareholders of the Company other than LetterOne, that is, holders of 30.241% of the

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*Company's share capital (the "**Second Tranche**"). LetterOne has formally waived its preferential subscription right in the Preferential Subscription Period of this tranche, considering that its pro rata portion of the Capital Increase is already covered by the First Tranche.*

Both tranches are subject to identical economic terms.

I. FIRST TRANCHE

1. SHARE CAPITAL INCREASE

*The Shareholders' Meeting resolves to increase the share capital by an amount of EUR 41,855,499.96 through the issue and putting into circulation of 4,185,549,996 new ordinary shares of EUR 0.01 nominal value each, with a share premium of EUR 0.09 per share, of the same class and series as those currently in circulation, represented through book-entries (the "**Shares in the First Tranche**"). Consequently, the total share premium corresponding to the Shares in the First Tranche amounts to EUR 376,699,499.64, while the total amount (nominal value plus share premium) of the First Tranche amounts to EUR 418,554,999.60.*

The First Tranche amounts to 69.759% of the total capital increase initially contemplated amount of EUR 600,000,000.00, which is the percentage corresponding to the stake held by LetterOne in the Company.

2. NATURE AND CHARACTERISTICS OF THE CREDITS TO BE CAPITALISED

*The nominal value and the share premium of the Shares in the First Tranche shall be subscribed by means of a capitalisation of the credit that LIR Invest1 Holdings S.à r.l, an entity with registered office at 1-3 Boulevard de la Foire, L-1528, Luxembourg and registered with the Luxembourg Commercial Registry under number B215109, holds against the Company under a profit participating loan agreement entered into between the Company and LetterOne on 26 June 2019, for a principal amount of EUR 450,000,000.00 (the "**450M PPL**").*

The 450M PPL is duly recorded in the Company's accounting. According to the provisions of the 450M PPL agreement, the total amount of such credit can be prepaid by means of its capitalisation in a capital increase. Therefore, the amount of the nominal value and the share premium of the Shares in the First Tranche entails a capitalisation of EUR 418,554,999.60 of the 450M PPL. After the capitalisation of the 450M PPL, an amount of EUR 31,445,000.40 of principal will remain outstanding.

On the date on which the Board of Directors decides to execute the Capital Increase under the delegation of powers foreseen in this Capital Increase resolution, the amount of EUR 418,554,999.60 to be capitalised of the 450M PPL will comply with the liquidity, maturity and enforceability requirements foreseen in Article 301.1 of the Spanish Companies Act.

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Pursuant the provisions of Article 301.3 of the Spanish Companies Act, with the call of the Extraordinary General Shareholders' Meeting and in addition to the directors' report, a certificate from the Company's auditor has been made available to the Company's shareholders, certifying that, in accordance with the Company's accounting, the information included in the directors' report regarding the EUR 418,554,999.60 amount to be capitalised out of the 450M PPL is accurate and will comply with the liquidity, maturity and enforceability requirements foreseen in Article 301.1 of the Spanish Companies Act on the date on which the Capital Increase is executed.

The Company's auditor will issue a second report on the date on which the Board of Directors decides to execute the Capital Increase, certifying that the EUR 418,554,999.60 amount to be capitalised out of the 450M PPL effectively complies on such date with the liquidity, maturity and enforceability requirements foreseen in Article 301.1 of the Spanish Companies Act.

3. PAYMENT AND SUBSCRIPTION OF THE SHARES

The Shares in the First Tranche shall be subscribed and paid-up by LetterOne through a capitalisation of the credit rights under the 450M PPL mentioned in Section 2 above.

The amount of nominal value and the share premium of the Shares in the First Tranche shall be fully paid-up once the credits have been offset, automatically cancelling such credits in the amount capitalised in the Capital Increase.

4. PREFERENTIAL SUBSCRIPTION RIGHT

There shall be no preferential subscription for the Shares in the First Tranche, in accordance with the provisions of Article 304 of the Spanish Companies Act. However, given the two-tranche structure of the Capital Increase, all of the Company's shareholders other than LetterOne shall be entitled to participate in the Capital Increase pro rata to their respective stakes in the share capital through the preferential subscription rights which have been reserved to them in the Preferential Subscription Period Second Tranche.

5. REPRESENTATION OF THE NEW SHARES

The Shares in the First Tranche shall be represented by book-entry form, and the relevant record shall be kept by Iberclear and its participating entities under the terms established in the regulations in force at the given time and shall be of the same class as the shares currently issued by the Company.

6. RIGHTS OF THE NEW SHARES

As of the date when the Capital Increase is declared subscribed and paid-up, the Shares in the First Tranche will confer to their owners the same economic and political rights as the currently outstanding ordinary shares of the Company.

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7. MAXIMUM EXECUTION TERM

The Capital Increase resolution shall be executed before 31 December 2019, and the Board of Directors of the Company shall establish all of its terms and conditions in relation to all matters not provided for in the resolution of this General Shareholders' Meeting, in accordance with article 297.1(a) of the Spanish Companies Act.

8. AMENDMENT OF ARTICLE 5 OF THE ARTICLES OF ASSOCIATION

In accordance with the provisions of article 297.2 of the Spanish Companies Act, the directors are expressly delegated the faculty to amend Article 5 of the Articles of Association, relating to the share capital, once the proposed Capital Increase has been approved and executed, in view of its definitive result.

9. APPLICATION TO LISTING OF THE NEW SHARES

It is resolved to apply for the listing of the Shares in the First Tranche issued under the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as its integration into the Automated Quotation System (SIBE), expressly stating the Company's submission to the rules that are now in force or may be issued regarding stock exchange matters and, especially, on trading, listing and delisting.

It is also resolved to request the inclusion of the Shares in the First Tranche in the book-entry registries of Iberclear and its participating entities.

II. SECOND TRANCHE

1. SHARE CAPITAL INCREASE

*The Shareholders' Meeting resolves to increase the share capital by an additional amount of EUR 18,699,724.70 through the issue and putting into circulation of 1,869,972,470 additional new ordinary shares of EUR 0.01 nominal value each, with a share premium of EUR 0.09 per share, of the same class and series as those currently in circulation, represented through book-entries (the "**Shares in the Second Tranche**"). Consequently, the total share premium corresponding to the Shares in the Second Tranche amounts to EUR 168,297,522.30, while the total issue price (nominal value plus share premium) of the share capital increase amounts to EUR 186,997,247.00.*

For clarification purposes, although the effective amount of the Second Tranche amounts to 30.341% of the total EUR 600,000,000.00 capital increase initially contemplated, that is, EUR 181,445,000.40, said amount is increased in an additional amount of EUR 5,552,246.60 for purely technical reasons and in order to obtain a practicable ratio of the number of preferential subscription rights to be allocated to shareholders for each share of the Company they hold. As a consequence of the increase by EUR 5,552,246.60 in the Second Tranche, the total amount of the Capital Increase in the event that all new shares being issued were fully subscribed, shall be

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EUR 605,552,246.60 (the "**Total Amount**").

After the aforementioned adjustment, each current share of the Company (excluding the 1,238,790 treasury shares held by the Company and the shares held by LetterOne), shall be entitled to ten (10) subscription rights, with one (1) preferential subscription right being required for subscribing each new share. Therefore, the 186,997,247 current shares with preferential subscription rights shall be entitled to 1,869,972,470 preferential subscription rights, which shall, in turn, grant the right to subscribe the 1,869,972,470 Shares in the Second Tranche.

2. PAYMENT AND SUBSCRIPTION OF THE SHARES

The amount of the nominal value and the share premium of the Shares in the Second Tranche shall be fully paid-up by means of cash contributions, except for those shares that may be subscribed by LetterOne in the Additional Allocation Period of the Second Tranche, which may be subscribed by means of capitalization of credits (see section 4). All the shares must be fully paid-up at the time of subscription.

Pursuant to article 299 of the Spanish Companies Act, it should be noted that the Company's previously issued shares are fully paid-up.

3. PREFERENTIAL SUBSCRIPTION RIGHT

Pursuant to Article 304 of the Spanish Companies Act, the shareholders of the Company shall have the right, in relation to the Shares in the Second Tranche, to subscribe a number of shares proportional to the amount of shares that they own on the date of allocation of their respective preferential subscription rights.

Notwithstanding the foregoing, as foreseen in Section 4 below, LetterOne waives the preferential subscription rights it would be entitled to exercise in the Preferential Subscription Period of the Second Tranche, since it is considered that it has already exercised said right, as it has subscribed its pro rata portion of the Capital Increase taking into account its stake in the Company when it fully subscribed the First Tranche.

*The preferential subscription rights will be allocated to the shareholders of the Company that have acquired or subscribed Shares in the Second Tranche until (and including) the day on which the call for the Capital Increase is published in the Commercial Registry's Official Gazette (Last Trading Date), and whose acquisition transactions have been settled within the two trading days immediately following such date. The period for exercising the preferential subscription right shall be of fifteen (15) calendar days commencing on the day immediately following the day when the referred call for the Capital Increase is published in the Commercial Registry's Official Gazette (the "**Preferential Subscription Period**"). In any event, the Board of Directors may set a longer Preferential Subscription Period if circumstances advise so at the time of the execution of the Capital Increase.*

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Pursuant to Article 306.2 of the Spanish Companies Act, the preferential subscription rights shall be transferable on the same terms as the shares they derive from and shall be tradable on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System. Consequently, during the Preferential Subscription Period investors other than shareholders shall be able to acquire preferential subscription rights to subscribe Shares in the Second Tranche.

The Board of Directors will be entitled to conclude the Capital Increase as soon as it has been fully subscribed.

*In order to exercise the preferential subscription rights during the Preferential Subscription Period and the right to request the allocation of additional shares, the owners of the abovementioned rights shall be able to address orders to the participant entities in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. ("**Iberclear**") in whose registry the shares or the relevant rights are registered, indicating their willingness to exercise those rights and the number of shares they wish to subscribe. Orders placed in connection with the exercise of the preferential subscription right and, if applicable, the request for allocation of additional shares right shall be understood to have been made firmly, irrevocably and unconditionally.*

The preferential subscription rights allotted to the shareholders of the Company, or acquired in the market by investors or shareholders, will be automatically extinguished after the Preferential Subscription Period.

The documentation of the issuance and, in particular, the prospectus or equivalent document of the Capital Increase to be registered with the CNMV, shall regulate the terms and conditions in which the payment of the shares and, if appropriate, the term and applicable procedures of the various tranches.

4. ADDITIONAL ALLOCATION PERIOD

*In the event that there are Shares in the Second Tranche that have not been subscribed after the Preferential Subscription Period, an additional allotment period shall commence (the "**Additional Allotment Period**") in which the remaining Shares in the Second Tranche will be assigned to shareholders and/or investors who have requested additional shares, pursuant to the prospectus or equivalent document to be registered by the Company before the Spanish Securities Market Commission in connection with the Capital Increase.*

In this sense, only shareholders and/or investors that have exercised part or all of the preferential subscription rights they own during the Preferential Subscription Period may request for the subscription of additional Shares in the Second Tranche. For the avoidance of doubt it is considered that LetterOne has exercised its preferential subscription rights by subscribing the shares in the First Tranche, which equal its pro rata part of the Capital Increase.

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In particular LetterOne may request a maximum of 814,450,004 additional Shares in the Second Tranche, which entails that its participation in the Capital Increase shall not exceed 5,000,000,000 shares, since that is the maximum amount of its underwriting commitment, as set out in section 12 below.

In case that LetterOne underwrites additional Shares in the Second Tranche, the contribution shall be as follows:

- (i) First, by capitalising credits against the Company for a maximum amount of EUR 71,445,000.40 that the Company owes to LetterOne under the PPLs, which are described in this section.*
- (ii) Second, if the amount to be underwritten exceeds EUR 71,445,000.40, LetterOne will underwrite the difference between said EUR 71,445,000.40 and the maximum amount of the partial underwriting commitment, (EUR 81,445,000.40), that is a difference of EUR 10,000,000.00, by means of cash contributions.*

Nature and characteristics of the credits to be capitalised by LetterOne

A maximum of 714,450,000 shares which LetterOne may subscribe in the Additional Allocation Period of the Second Tranche may paid-up by means of the capitalisation of the credits that LetterOne holds against the Company. These credits are described below:

- (i) the outstanding amount of the 450M PPL, entered into between the Company and LetterOne on 26 June 2019, which amounts to EUR 31,445,000.40 of principal; and*
- (ii) profit participating loan entered into between the Company and LetterOne on 29 May 2019, for a total principal amount of EUR 40,000,000.00 (the "40M PPL").*

The outstanding amount of the 450M PPL and the 40M PPL (the "PPLs"), with a total aggregate amount of EUR 71,445,000.40, are duly recorded in the Company's accounting. According to the provisions of both agreements, the total amount of the PPLs can be prepaid, in full or in part, by means of its capitalisation in a capital increase.

On the date on which the Board of Directors decides to execute the Capital Increase under the delegation of powers foreseen in this Capital Increase resolution, the amount of EUR 71,445,000.40 to be capitalised of the PPLs shall comply with the liquidity, maturity and enforceability requirements foreseen in Article 301.1 of the Spanish Companies Act.

Pursuant the provisions of Article 301.3 of the Spanish Companies Act, with the call of the Extraordinary General Shareholders' Meeting and in addition to the directors' report, a certificate from the Company's auditor has been made available to the

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Company's shareholders, certifying that, in accordance with the Company's accounting, the information included in the directors' report regarding the EUR 71,445,000.40 amount to be capitalised out of the PPLs is accurate and will comply with the liquidity, maturity and enforceability requirements foreseen in Article 301.1 of the Spanish Companies Act on the date on which the Capital Increase is executed.

The Company's auditor will issue a second report on the date on which the Board of Directors decides to execute the Capital Increase, certifying that the EUR 71,445,000.40 amount to be capitalised out of the PPLs effectively complies on such date with the liquidity, maturity and enforceability requirements foreseen in Article 301.1 of the Spanish Companies Act.

Allocation in the Additional Allocation Period

In any event, applications for the allotment of Shares in the Second Tranche, if applicable, additional Shares in the Second Tranche, shall be unconditional and irrevocable in nature. In the event that the total number of additional Shares in the Second Tranche requested within the Preferential Subscription Period and to be allocated during the Additional Allocation Period exceed the Shares in the Second Tranche that remain to be allocated by virtue of the exercise of the preferential subscription rights, the remaining Shares in the Second Tranche shall be allotted on a pro rata basis between the requesting shareholders and investors in proportion to the number of Shares in the Second Tranche requested by each of the requestor over the total volume of requested Shares in the Second Tranche. The prospectus or equivalent document of the Share Capital Increase will elaborate the rules for carrying out the referred apportionment.

The Board of Directors will be able to allow for an additional period or round so that the Shares in the Second Tranche that could be left unsubscribed and unpaid during the Preferential Subscription Period and the Additional Allocation Period can be reallocated to those shareholders and/or to other investors, setting, in such an event, the procedure, the deadlines of these additional periods or rounds, and, if necessary, the apportionment methods.

5. SHAREHOLDERS AND INVESTORS' COMMITMENTS

LetterOne, holder of 434,220,476 shares representing 69.759% of the Company's share capital, has waived its preferential subscription right with regards to the Second Tranche.

6. REPRESENTATION OF THE NEW SHARES

The Shares in the Second Tranche shall be represented by book-entry form, and the relevant record shall be kept by Iberclear and its participating entities under the terms established in the regulations in force at the given time and will be of the same class as the currently issued shares of the Company.

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7. RIGHTS OF THE NEW SHARES

As of the date when the Capital Increase is declared subscribed and paid-up, the Shares in the Second Tranche will confer to their owners the same economic and political rights as the currently outstanding ordinary shares of the Company.

8. INCOMPLETE SUBSCRIPTION OF THE CAPITAL INCREASE

Pursuant to Article 311 of the Spanish Companies Act, if, for any reason the Second Tranche of the Capital Increase has not been fully subscribed after its finalisation and the execution of the Partial Underwriting Commitment described below, the share capital shall be increased in the amount of the subscriptions made, and the remaining amount shall be deemed as ineffective.

9. MAXIMUM EXECUTION TERM

The Capital Increase resolution shall be executed before 31 December 2019, and the Board of Directors of the Company shall establish all of its terms and conditions in relation to all matters not provided for in the resolution of this General Shareholders' Meeting, in accordance with article 297.1(a) of the Spanish Companies Act.

10. AMENDMENT OF ARTICLE 5 OF THE ARTICLES OF ASSOCIATION

In accordance with the provisions of article 297.2 of the Spanish Companies Act, the directors are expressly delegated the faculty to amend Article 5 of the Articles of Association, relating to the share capital, once the proposed Capital Increase has been approved and executed, in view of its definitive result.

11. APPLICATION TO LISTING OF THE NEW SHARES

It is resolved to apply for the listing of the Shares in the Second Tranche issued under the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as its integration into the Automated Quotation System (SIBE), expressly stating the Company's submission to the rules that are or may be enforced regarding stock exchange matters and, especially, on trading, listing and delisting.

It is also resolved to request the inclusion of the Shares in the Second Tranche in the book-entry registries of Iberclear and its participating entities.

12. UNDERWRITING

Underwriting commitment

It is expressly stated that LetterOne shall underwrite up to a maximum effective amount (nominal plus share premium) of EUR 81,445,000.40 of the Second Tranche, subscribing, up to said maximum amount, the part of the Second Tranche that has not been subscribed by the rest of the Company's shareholders or by those investors who

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*acquire preferential subscription rights after the finalisation of the various tranches of the Capital Increase (the “**Partial Underwriting Commitment**”). Thus, together with First Tranche, which shall be subscribed by LetterOne, it is assured that a minimum amount of EUR 500,000,000.00 of the Capital Increase shall be subscribed and paid-up. For the avoidance of doubt, LetterOne's Partial Underwriting Commitment shall cease to be effective if the sum of the First Tranche and the Second Tranche exceeds EUR 500,000,000.00 and shall apply, fully or partially when applicable, up to such amount.*

If necessary, LetterOne shall execute the Partial Underwriting Commitment as follows:

- (i) First, by capitalising credits against the Company for a maximum amount of EUR 71,445,000.40 that the Company owes to LetterOne under the PPLs, which are described in section 4 (Additional Allocation Period).*
- (ii) Second, if the amount to be underwritten exceeds EUR 71,445,000.40, LetterOne will underwrite the difference between said EUR 71,445,000.40 and the maximum amount of the partial underwriting commitment, (EUR 81,445,000.40), that is a difference of EUR 10,000,000.00, by means of cash contributions.*

III. DELEGATION OF POWERS

Notwithstanding the specific delegations of authority set forth in the preceding sections (which are to be understood as having been granted with express powers of substitution or sub-delegation in the bodies and persons detailed herein), it is resolved to delegate to the Board of Directors with faculties as broadly as expressly stated in Article 297.1.(a) of the Spanish Companies Act, as well as all those powers that are expressly stated in this resolution and the authorization of establishing all those conditions that are not expressly provided in this resolution.

Likewise, it is resolved to authorise the Board of Directors, as broadly as required by law, with powers of substitution and sub-delegation, during the period up to 31 December 2019, to carry out any action or procedure that might be necessary or merely convenient, in the broadest possible terms, to accomplish the execution and the successful implementation of the Capital Increase, and, in particular, by way of illustration and without limitation, the following:

- (i) indicate the date on which the Capital Increase resolution must take effect, as well as, if applicable, whether it will be carried out in one or more rounds and the duration of said additional periods or rounds and the apportionment methods;*
- (ii) determine the duration of the Preferential Subscription Period, including the possibility of opening one or more additional periods for the allotment of shares that have not been subscribed and paid during the Preferential Subscription Period;*

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- (iii) establish any other points relating to the Capital Increase that have not been determined by this resolution, including the authority to propose to one or more shareholders the resignation of that preferential subscription rights of their ownership, or to amend the number of issued shares, all in order to guarantee that the number of shares to be issued maintains exactly the proportion resulting from the application of the agreed exchange ratio;*
- (iv) amend the wording of article 5 of the Articles of Association in light of the result of the Capital Increase, in accordance with the article 297.2 of the Spanish Companies Act;*
- (v) draft, subscribe and file, with the CNMV the prospectus or equivalent document relating to the Capital Increase, which is expected to be approved in the third quarter of 2019, in compliance with the provisions included in the Spanish Securities Market Act, Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 and other implementing regulations, assuming responsibility for their content, as well as drafting, subscribing and submitting as many supplements thereto as may be necessary, requesting their verification and registration by the CNMV and other documentation and accessory information communications that may be necessary or appropriate for this purpose;*
- (vi) execute the Capital Increase of the Company, carrying out all the necessary or appropriate actions for the best execution thereof;*
- (vii) draft, subscribe and submit any additional or complementary documentation or information required before the CNMV or any other national or foreign authority;*
- (viii) take any action, make any declaration or deal before the CNMV, the Governing Bodies of the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges Stock Exchanges, Sociedad de Bolsas, Iberclear and any other public or private body, entity or registry, national or foreign, in order to obtain the authorizations or verifications that are necessary for the execution of the Capital Increase;*
- (ix) declare executed and closed the Capital Increase once the Preferential Subscription Period and the additional rounds for subscription of shares that, if applicable, are determined is over and once the payment of the shares subscribed is done, issuing as many public or private documents as may be appropriate for its execution;*
- (x) negotiate, subscribe and grant as many public and private documents as may be convenient or necessary regarding the Capital Increase in accordance with the established practice in this type of operations;*
- (xi) draft and publish whatever announcements may be necessary or advisable;*
- (xii) draft, sign and execute, and where appropriate certify, documents of all kinds;*

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- (xiii) apply for the listing of the New Shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System (Mercado Continuo);*
- (xiv) appear before the notary public of his choice and notarize this resolution into a public deed, as well as to carry out any necessary actions and to approve and formalize any public or private documents that may be necessary or convenient for the full effectiveness of this Capital Increase resolution in any of its aspects and contents and, in particular, to correct, clarify, interpret, complete or specify, as the case may be, the resolution adopted and, in particular, to correct any defects, omissions or errors that may be appreciated in the verbal or written qualification of the Commercial Registry; and*
- (xv) lastly, the Board of Directors is expressly authorized, to delegate to any of its members, or any proxies that may be determined, all or part of the powers conferred by virtue of this resolution that may be legally delegable and to grant to the employees of the Company that deems appropriate the pertinent powers for the development of said delegated powers.*

* * *

Las Rozas – Madrid, 20 September 2019