



REPORT DRAFTED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“DIA”) PURSUANT TO THE PROVISIONS OF ARTICLES 286 AND 318 OF THE CORPORATE ENTERPRISES ACT IN RELATION TO THE PROPOSED RESOLUTION TO DECREASE THE SHARE CAPITAL BY THE REDEMPTION OF OWN SHARES, AS REFERRED TO IN ITEM THREE ON THE AGENDA OF DIA’S GENERAL SHAREHOLDERS’ MEETING CALLED TO BE HELD ON 25 AND 26 APRIL 2013 AT FIRST AND SECOND CALL, RESPECTIVELY

1. PURPOSE OF THIS REPORT

This report has been drafted by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (hereinafter, “DIA” or the “Company”), pursuant to the provisions of articles 286 and 318 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the “Corporate Enterprises Act”), to justify the proposal, which has been submitted for approval by the Company’s General Shareholders’ Meeting convened for 25 April 2013 at 10:00 hours at first call and for 26 April 2013 at second call, on item three on the Agenda, regarding the capital decrease by redeeming own shares and consequently amending article 5 (“Share Capital”) of DIA’s Articles of Association.

2. JUSTIFICATION FOR THE PROPOSAL

Within the framework of the shareholder remuneration policy, the Board of Directors believes that the proposed share capital decrease at DIA by redeeming own shares is an appropriate remuneration method thanks to which the shareholders will automatically increase their percentage stake in the Company, which will occur as a result of reducing the number of outstanding DIA shares if the proposal is approved. This will supplement the cash dividends that are also being proposed to this Shareholders’ Meeting. The reduction in treasury stock in which the Company redeems own shares will increase the Company’s earnings per share and, consequently, the percentage of the shareholders’ stake.

3. TERMS AND CONDITIONS OF THE PROPOSED CAPITAL DECREASE

The Board of Directors will propose the Shareholders’ Meeting to decrease the Company’s share capital in the amount resulting from adding the following:

- 2,017,872.2 euros, by redeeming 20,178,722 own shares of the Company, each with a par value of 0.10 euros, which represent 2.97% of DIA’S share capital and which were acquired by virtue of the authorisation granted by the Company’s sole shareholder at the time on 9 May 2011, within the limits envisaged in articles 146 and 509 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the “Corporate Enterprises Act”); and
- 808,672 euros, by redeeming 8,086,720 shares of the Company, each with a par value of 0.10 euros, which represent 1.19% of DIA’S share capital and which will be acquired as a result of settling (by delivering shares) the equity swap agreement signed by DIA and Société Générale.

(hereinafter, the “Capital Decrease”).

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Therefore, the Capital Decrease will be 2,826,544.2 euros, by redeeming 28,265,442 own shares of DIA, each with a par value of 0.10 euros, which represent 4.16% of DIA's share capital.

Consequently, once the Capital Decrease has been carried out, article 5 of DIA'S Articles of Association will be amended, and worded as follows:

“Article 5.- Share capital

- 1. The share capital amounts to SIXTY-FIVE MILLION ONE HUNDRED AND SEVEN THOUSAND AND FIFTY-FIVE EUROS AND EIGHT CENTS (65,107,055.8 euros), and is fully subscribed and paid up.*
- 2. The share capital consists of SIX HUNDRED AND FIFTY-ONE MILLION SEVENTY THOUSAND FIVE HUNDRED AND FIFTY-EIGHT (651,070,558) shares, each with a par value of ten euro cents (0.10 euros), belonging to the same class.”*

The Capital Decrease will be made charged to voluntary or unrestricted reserves, provisioning the corresponding reserve for the redeemed capital for an amount equal to the par value of the own shares that are effectively redeemed, which can only be made available by meeting the requirements for the share capital decrease, pursuant to the provisions of article 335.c) of the Corporate Enterprises Act. In accordance with this article, DIA'S creditors will not be entitled to challenge this pursuant to article 334 of the Corporate Enterprises Act.

Likewise, since the shares to be redeemed will be owned by the Company at the time of the decrease, the Capital Decrease will not imply a refund of the contributions.

On the other hand, the Board of Directors' resolutions regarding the acquisition of own shares and the equity swap agreement will be ratified, as well as carrying out all the actions, statements and formalities in relation to them.

The Board of Directors has also been empowered, with express powers of substitution, so that, within no more than six months from adopting this resolution, it can execute this and can establish the terms that have not been expressly established in its or which are a consequence of it. In particular, merely as an example, the Board of Directors has been granted, with express powers of substitution, the following powers:

- (i) to declare the Capital Decrease completed and executed;
- (ii) to carry out the necessary formalities and actions and submit the necessary documents to the competent bodies so that, once the Company's shares have been redeemed and the capital decrease document corresponding to the Capital Decrease has been granted and registered in the Trade Register, the redeemed shares can be excluded from trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Electronic Market and the corresponding accounting entries can be cancelled; and
- (iii) to carry out any actions that are necessary or appropriate for executing and formalising the Capital Decrease at any public or private entities or bodies, whether Spanish or foreign, including those necessary for obtaining any authorization or consent of third parties which may be required to the Company, as well as those related to statements, supplements or rectifications of defects or omissions that may impede or hinder the full effects of the preceding resolutions, as well as the publication of announcements, significant events and all the communications that are necessary for such purposeThe

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Board of Directors is expressly authorised so that it can, in turn, delegate the powers referred to in this resolution, subject to the provisions of article 249.2 of the Corporate Enterprises Act.

Specifically, the proposed resolution that is submitted for approval by the General Shareholders' Meeting is as follows:

ITEM THREE ON THE AGENDA

Reduction of share capital by redemption of own shares charged against available reserves and without the right to opposition by creditors. Modification of Article 5 of the By-laws.

PROPOSED RESOLUTION REGARDING ITEM THREE

The Board of Directors proposes the Shareholders' Meeting to decrease the Company's share capital in the amount resulting from adding the following:

- *2,017,872.2 euros, by redeeming 20,178,722 own shares of the Company, each with a par value of 0.10 euros, which represent 2.97% of DIA'S share capital and which were acquired by virtue of the authorisation granted by the Company's sole shareholder at the time on 9 May 2011, within the limits envisaged in articles 146 and 509 of the consolidated text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (the "Corporate Enterprises Act"); and*
- *808,672 euros, by redeeming 8,086,720 shares of the Company, each with a par value of 0.10 euros, which represent 1.19% of DIA'S share capital and which will be acquired as a result of settling (by delivering shares) the equity swap agreement signed by DIA and Société Générale.*

((hereinafter, the "Capital Decrease").

Therefore, the Capital Decrease will be 2,826,544.2 euros, by redeeming 28,265,442 own shares of DIA, each with a par value of 0.10 euros, which represent 4.16% of DIA's share capital.

Consequently, once the Capital Decrease has been carried out, article 5 of DIA'S Articles of Association will be amended, and worded as follows:

"Article 5.- Share capital

- 1. The share capital amounts to SIXTY-FIVE MILLION ONE HUNDRED AND SEVEN THOUSAND AND FIFTY-FIVE EUROS AND EIGHT CENTS (65,107,055.80 Euros), and is fully subscribed and paid up.*
- 2. The share capital consists of SIX HUNDRED AND FIFTY-ONE MILLION SEVENTY THOUSAND FIVE HUNDRED AND FIFTY-EIGHT (651,070,558) shares, each with a par value of ten euro cents (0.10 Euros), belonging to the same class."*

The Capital Decrease will be made charged to voluntary or unrestricted reserves, provisioning the corresponding reserve for the redeemed capital for an amount equal to the par value of the own shares that are effectively redeemed, which can only be made available by meeting the requirements for the share capital decrease, pursuant to the provisions of

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article 335.c) of the Corporate Enterprises Act. In accordance with this article, DIA'S creditors will not be entitled to challenge this pursuant to article 334 of the Corporate Enterprises Act.

Likewise, since the shares to be redeemed will be owned by the Company at the time of the decrease, the Capital Decrease will not imply a refund of the contributions.

The Board of Directors has also been empowered, with express powers of substitution, so that, within no more than six months from adopting this resolution, it can execute this and can establish the terms that have not been expressly established in its or which are a consequence of it. In particular, merely as an example, the Board of Directors has been granted, with express powers of substitution, the following powers:

- (i) to declare the Capital Decrease completed and executed, and to appear before the Notary Public in order to grant the public deed of reduction of share capital;*
- (ii) to carry out the necessary formalities and actions and submit the necessary documents to the competent bodies so that, once the Company's shares have been redeemed and the capital decrease document corresponding to the Capital Decrease has been granted and registered in the Trade Register, the redeemed shares can be excluded from trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Electronic Market and the corresponding accounting entries can be cancelled; and*
- (iii) to carry out any actions that are necessary or appropriate for executing and formalising the Capital Decrease at any public or private entities or bodies, whether Spanish or foreign, including those necessary for obtaining any authorization or consent of third parties which may be required to the Company, as well as those related to statements, supplements or rectifications of defects or omissions that may impede or hinder the full effects of the preceding resolutions, as well as the publication of announcements, significant events and all the communications that are necessary for such purpose.*

The Board of Directors is expressly authorised so that it can, in turn, delegate the powers referred to in this resolution, subject to the provisions of article 249.2 of the Corporate Enterprises Act.

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Madrid, 21 March 2013