



REPORT MADE BY THE BOARD OF DIRECTORS OF THE COMPANY DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. (“DIA”) REGARDING THE PROPOSAL TO AUTHORISE THE BOARD OF DIRECTORS TO ISSUE SIMPLE DEBENTURES OR BONDS, NOTES AND OTHER FIXED-INCOME SECURITIES INCLUDED IN ITEM SIX ON THE AGENDA FOR THE GENERAL SHAREHOLDERS’ MEETING CALLED FOR 21 APRIL 2016 AND 22 APRIL 2016, ON FIRST AND SECOND CALL, RESPECTIVELY

I. Purpose of the report

This report has been made by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (“DIA” or the “Company”) in order to support the proposal (which is submitted for approval of the shareholders at the General Shareholders’ Meeting of the Company called to be held on 21 April 2016, at 11:00, on first call, and on the following day, 22 April 2016, at the same time, on second call, under item six on the agenda) regarding the authorisation to the Board of Directors of DIA, with express power of further delegation, to issue simple debentures or bonds, notes and other fixed-income securities and the authorisation 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 considers that the proposed resolution submitted for the approval of the shareholders at the General Shareholders’ Meeting is justified by the advisability that 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, all of that with the flexibility and responsiveness required by the current competitive environment, in which the success of most strategies often depends on the Company’s ability to deal with it quickly, without incurring the delays and costs that inevitably ensue from the holding of a General Shareholders’ Meeting.

For such purpose, pursuant to the provisions of section 319 of the Regulations of the Mercantile Registry and in accordance with articles 14.2 and 16.1.f) of DIA’s Articles of Association –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 resolution proposed under item six on the agenda is submitted to the shareholders for consideration at the General Shareholders’ Meeting.

The proposal authorises the Board of Directors to issue simple bonds or debentures, notes and other fixed-income securities.

Volume of the issuances

The proposed resolution sets the maximum overall limit for the issuance of which authorisation is requested. The Board of Directors considers it appropriate that the limit of the authorisation 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 bonds, debentures and other fixed-income securities, other than notes, that may be issued under this delegation, comes to the sum of Euro 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. A separate limit of Euro 480,000,000 is provided for the issuance of notes, which operates as the limit which applies to the foregoing securities.

Additionally, the Board of Directors believes it appropriate to include a maximum limit of represented debt in each moment for all the bonds that the Company may issue under the present authorisation, which will be Euro 1,200,000,000 overall.

Issues through subsidiaries

Furthermore, it may sometimes be desirable to issue the securities under this proposed resolution through a subsidiary, with DIA acting as guarantor. Accordingly, it is deemed to be of interest for the shareholders at the General Shareholders' Meeting to authorise the Board of Directors to guarantee, in the name of the Company, within the limits described above, such new issues of fixed-income securities as may be made by subsidiaries during the effective period of this resolution, for purposes of granting the Board of Directors the utmost flexibility in structuring the issues of securities in such manner as may be most appropriate in the circumstances.

Delegation

Pursuant to the provisions of section 249.bis.1) of the Companies Act, all the powers to be granted to the Board of Directors if the resolution proposed herein is adopted shall be granted with express power of further delegation, so as to further contribute to achieving the purpose of expediting the proposed transactions.

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

ITEM SIX ON THE AGENDA

Authorisation to the Board of Directors, with express power of further delegation, for a maximum term of five years, to issue: a) ordinary bonds or debentures and other fixed-income securities (except for notes) with a maximum limit of 1,200,000,000 euros, and b) notes with a maximum limit at any time of 480,000,000 euros, although the total debt at any time represented by the securities issued pursuant to sub-sections (a) and (b) above may not exceed an overall limit of 1,200,000,000 euros. Authorisation for the Company to guarantee new issues of securities by subsidiaries, within the limits set out above.

PROPOSED RESOLUTIONS REGARDING ITEM SIX

“To delegate to the Board of Directors, as permitted by section 319 of the Regulations of the Mercantile Registry and the general provisions governing the issuance of debentures, as well as pursuant to the Articles of Association, the power to issue negotiable securities in accordance with the following terms and conditions:

1. *Securities to be Issued.- The negotiable securities contemplated in this delegation may be simple bonds or debentures, notes, and other fixed-income securities.*

2. *Period of the Delegation.- The issuance of the securities covered by the delegation may be effected on one or more occasions within a maximum period of five years following the date of approval of this resolution.*
3. *Maximum amount under the delegation:-*
 - a) *The maximum aggregate amount of the issuance(s) of ordinary bonds or debentures and other fixed-income securities (other than the notes) approved under this delegation shall be 1,200,000,000 euros or the equivalent thereof in another currency.*
 - b) *The outstanding balance of the notes that are issued under this delegation may not at any time exceed the sum of 480,000,000 euros or the equivalent thereof in another currency. This limit is independent of the limit established in sub-section a) above.*
 - c) *In no event may the total debt at any time represented by the securities issued pursuant to sub-sections (a) and (b) above exceed an overall limit of 1,200,000,000 euros.*
4. *Scope of the Delegation.- The delegation of powers to issue the securities contemplated in this resolution shall extend, as broadly as required by law, to the establishment of the different terms and conditions applicable to each issue (par value, issue price, redemption price, domestic or foreign currency of the issuance, form of representation, interest rate, amortisation, subordination clauses, guarantees supporting the issuance, place of issuance, applicable law, 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 ordinary debentures or bonds, if required, admission to trading, etc.) and to the conduct of any and all formalities that may be necessary for the implementation of the specific issues approved under this delegation.*
5. *Admission to trading.- The Company shall, when appropriate, make application for trading of the securities issued by the Company under this authorisation on official or unofficial, organised or other, and Spanish or foreign secondary markets, and the Board of Directors shall be authorised as broadly as required by law to carry out all acts and formalities that may be required for admission to listing with the appropriate bodies of the various Spanish or foreign securities markets.*

It is expressly stated for the record that if application is subsequently made for delisting, it shall be made in compliance with the same formalities as the application for listing, to the extent any such formalities are required, and in such case, the interests of the shareholders or debenture-holders opposing or not voting on the resolution shall be safeguarded as provided by applicable law. In addition, it is expressly stated that the Company undertakes to abide by stock market regulations, whether now existing or as may hereafter be issued, particularly as regards trading, continued listing, and delisting.
6. *Guarantee in support of issues of securities by subsidiaries.- The Board of Directors is also authorised 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.- Pursuant to the provisions of section 249.bis.l) of the Companies Act, the Board of Directors is expressly authorised to further delegate the powers contemplated in this resolution.*

Finally, it is proposed to deprive of effect Resolution Eight adopted by the shareholders at the General Shareholders' Meeting of the Company held on 13 June 2012 authorising the Company's Board of Directors to issue ordinary bonds or debentures and other fixed-income securities, as well as notes.

It is stated for the record that the directors have prepared a report providing a rationale for the proposal presented herein."

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Madrid, 11 March 2016