



**REPORT PREPARED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A., FOR THE PURPOSES OF THE PROVISIONS OF ARTICLES 286, 297 AND 511 OF THE CAPITAL COMPANIES LAW REGARDING THE PROPOSED DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO ISSUE CONVERTIBLE SECURITIES AS REFERRED TO IN ITEM 16 ON THE AGENDA OF THE SHAREHOLDERS' MEETING CALLED TO BE HELD ON JUNE 7, 2022.**

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## **1. PURPOSE OF THE REPORT**

This report is issued by the Board of Directors of Distribuidora Internacional de Alimentación, S.A. (“**DIA**” or the “**Company**”) in order to justify the proposed delegation to the Board of Directors, with powers to subdelegate, of the power to issue securities convertible into, or with the right to subscribe, new shares of the Company, in accordance with the general rules on issuing debentures and with the provisions of articles 286, 297 and 511 of the Capital Companies Law and article 319 of the Commercial Registry Regulations. The approval of the foregoing is submitted to the Shareholders' Meeting under agenda item 16.

## **2. JUSTIFICATION**

The Board of Directors considers it extremely advisable to have available the delegated powers admitted by legislation in force so that it is at all times in a position to attract in the primary securities markets any necessary funds to ensure the adequate management of the Company's interests.

The purpose of the delegation is to provide the Company's managing body with the leeway and capacity for response required in the competitive environment in which the Company operates, in which the success of a strategic initiative or financial transaction, or the possibility of attracting financial resources often depends on the ability to accomplish the task rapidly, without the delays and costs that are inevitably involved in calling and holding a Shareholders' Meeting. Thus, the Company's Board of Directors is authorized, where necessary, to attract a significant volume of resources in a limited period of time.

The issuance of securities convertible into shares is a means of financing for companies by attracting third-party resources. Securities have, on the one hand, the advantage of offering investors the possibility of transforming their claims against the Company into shares, obtaining a potentially higher profitability to that offered by other debt instruments and, on the other, can allow the Company to increase its own resources. These characteristics lead to the coupon of convertible securities usually being less than the cost of fixed-income securities and bank debt, since the value of the option to convert them into the Company's shares that they confer on investors are reflected in the interest rate of the debentures.

In light of the foregoing, pursuant to the current legislation, this proposed resolution is submitted to the Shareholders' Meeting for consideration under agenda item sixteen. In

relation to warrants, it is specifically envisaged that statutory and agreed provisions on convertible debentures will be applicable, insofar as they are compatible with their specific nature.

The proposal attributes specifically to the Board of Directors, the ability to issue on one or more occasions convertible securities and warrants that give rise to the entitlement to subscribe new shares of the Company or to acquire shares in circulation of the Company and to resolve, where applicable, to increase the share capital necessary to attend to the conversion or to the exercise of the subscription option, provided that this increase does not exceed the unused limit authorized from time to time by the Shareholders' Meeting pursuant to article 297.1.b) of the Capital Companies Law.

The proposed resolution establishes the maximum nominal amount for which the issue is authorized at 500 million euros (or its equivalent in another currency), on the understanding that the total amount of the capital increase that may be necessary to cover the conversion of all the above-mentioned securities may not exceed the limit indicated above.

The proposed resolution that is submitted to the approval of the Shareholders' Meeting also establishes the criteria to determine the bases and methods of conversion, although it asks the Board of Directors, in the event that the latter agrees to make use of the delegation granted, to specify some of said bases and methods for each issue, within the limits and pursuant to the criteria established by the Shareholders' Meeting.

Therefore, it is the Board of Directors that will determine the specific conversion ratio and will issue for such purpose, when resolving on an issue of convertible securities delegated pursuant to this delegation, a report indicating the specific bases and the applicable terms and conditions of the conversion.

Specifically, the proposed resolution submitted by the Board of Directors to the Shareholders' Meeting for approval establishes that, for the purposes of conversion, the securities issued pursuant to this authorization shall be valued at their par value and the shares at the fixed (determined or determinable) or variable exchange ratio determined in the corresponding resolution by the Board of Directors.

The Board of Directors estimates that this will give it a sufficiently flexible margin to establish the value of the shares for purposes of the conversion according to market conditions and other applicable considerations.

In the case of warrants on newly issued shares, the provisions of the Capital Companies Law for convertible debentures will apply to them by analogy.

Moreover, in accordance with article 415.2 of the Capital Companies Law, the resolution to delegate to the Board of Directors the power to issue convertible securities envisages, for the purposes of their conversion, that the par value of the debentures may not be less than the par value of the shares. Convertible debentures may not be issued for a figure of less than their par value either.

In addition, it is placed on record that the authorization to issue convertible securities and warrants or other similar securities that may give rise directly or indirectly to the

subscription of shares of the Company includes, pursuant to the provisions of article 511 of the Capital Companies Law, the grant to the Board of Directors of the power to exclude, in whole or in part, the shareholders' preemptive subscription right, where it is required by the corporate interest.

The Board of Directors considers that this power to exclude the preemptive subscription right involves a reduction in the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issue) in comparison with an issue with preemptive subscription rights, and at the same time has less of a distorting effect on the trading of the Company's shares during the issue period.

In any event, in accordance with article 511.1 of the Capital Companies Law, the authorization to exclude, in whole or in part, the preemptive subscription right will be limited to capital increases that are carried out pursuant to this authorization and which forms the subject matter of item fifteen on the agenda of this Shareholders' Meeting, up to the maximum amount corresponding, overall, to 20% of the Company's current share capital, that is, up to the maximum nominal amount of 116,131,068.20 euros.

It is also envisaged that securities issued by virtue of this delegation may be admitted to trading on official or non-official secondary markets, organized or otherwise, domestic or foreign.

All of the powers to be conferred on the Board of Directors if the resolution proposed herein is adopted will include the express power of delegation, so that the objective of speeding up the transactions as far as possible is given a greater boost.

### **3. RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING**

The proposed resolution that is submitted to the Shareholders' Meeting for approval in relation to item sixteen on the agenda is transcribed below.

**“DELEGATION TO THE BOARD OF DIRECTORS, WITH POWERS TO SUBDELEGATE, FOR A MAXIMUM PERIOD OF FIVE YEARS, OF THE POWER TO ISSUE SECURITIES CONVERTIBLE INTO, OR WITH THE RIGHT TO SUBSCRIBE, NEW SHARES OF THE COMPANY, IN A MAXIMUM AMOUNT OF €500,000,000, AND TO EXCLUDE THE PREEMPTIVE SUBSCRIPTION RIGHT, LIMITING THE LAST-MENTIONED POWER TO A MAXIMUM OF 20% OF THE SHARE CAPITAL ON THE DATE OF AUTHORIZATION. ESTABLISHMENT OF THE CRITERIA TO BE USED TO DETERMINE THE BASES AND TYPES OF CONVERSION AND CONFERRAL ON THE BOARD OF DIRECTORS OF THE POWER TO INCREASE THE SHARE CAPITAL IN THE AMOUNT NECESSARY.**

#### **RESOLUTION SIXTEEN**

***“One.- To delegate to the Board of Directors, as broadly as required by law, with express powers to subdelegate and pursuant to the provisions of the law and of article 14 of the Bylaws, the power to resolve, on one or more occasions, to issue securities convertible into new shares of the Company, as well as warrants (options to subscribe new shares of the Company), on the following terms:***

1. Type of securities.- The securities envisaged in this delegation can be debentures, bonds and other debt securities convertible into new shares of the Company, as well as warrants (options to subscribe new shares of the Company).
2. Duration.- The securities subject to this authorization may be issued on one or more occasions and when necessary during the maximum period of five years following the adoption of this resolution.
3. Maximum amount.- The total maximum nominal amount of the securities issue/s that are agreed pursuant to this delegation shall be 500 million euros or its equivalent in any other currency.
4. Scope.- The Board of Directors may set, in all matters not provided for in this resolution, the terms and conditions of the issues that are approved pursuant to this delegation including, but not limited to, the type of securities and their denomination; the amount, always within the total overall maximum amount indicated above; the issue date or dates; the issue price and, in the case of warrants and similar securities, the price of the issue and/or premium, the exercise price (which may be fixed or variable) and the procedure, period and other conditions applicable to the exercise of the subscription right of the underlying shares; the number of securities and the par value of each security; the form of representation of the securities; the form and conditions of the remuneration, the fixed or variable interest rate, and the dates and procedures for payment of the coupon; the rank of the securities and any subordination clauses; where appropriate, anti-dilution clauses; the applicable legislation; and, where appropriate, the mechanisms of collective association and organization and/or representation and protection of the holders of the securities that are issued, including the designation of their representatives.
5. Bases and terms and conditions applicable to the conversion.- If convertible securities are issued, the Board of Directors may set and determine the conversion ratio, which may be fixed or variable, determined or to be determined, with the bases set out below:
  - a) For the purposes of the conversion, the securities will be valued at their par value, and may or may not include any interest accrued and not paid at the time of their conversion, and any rounding formulas considered appropriate may be determined.
  - b) For their part, the Company's shares will be valued at the fixed exchange ratio established by the Board of Directors, or the variable exchange ratio to be determined on the date or dates established by the Board of Directors, based on the market value of the Company's shares on the date/s or period/s established, with a premium or, where appropriate, a discount, although if a discount is established on the market price, the discount may not exceed twenty-five percent.
  - c) The value of the shares for the purposes of the conversion ratio may not, under any circumstances, be less than their par value. Similarly, pursuant to article 415 of the Capital Companies Law, debentures that are convertible into

shares may not be issued either, where their par value is less than that of the shares.

If warrants are issued, to which the provisions of the Capital Companies Law for convertible debentures will apply by analogy, the Board of Directors is empowered to determine, on the broadest terms, the criteria applicable to the exercise of the subscription rights arising from the warrants that are issued, and the foregoing criteria will apply to such issues, with the necessary adaptations to make them compatible with the legal and financial rules governing this class of securities.

6. Power to increase the share capital to cover the conversion.- The Board of Directors is empowered to approve the capital increase needed to cover the conversion and/or the exercise of the subscription right of the securities that are issued pursuant to this delegation up to a maximum amount equal to half of the share capital on the date of adoption of this resolution (reducing that amount by the sum by which the share capital has been increased pursuant to resolution fifteen of this Shareholders' Meeting).
7. Power to exclude the preemptive subscription right.- The Board of Directors is empowered to exclude, in whole or in part, the preemptive subscription right in the securities issues that are agreed pursuant to this delegation, although this power is limited to the maximum number of shares into which such securities may be converted (without prejudice to any anti-dilution adjustments), coupled with the number of shares issued pursuant to resolution fifteen of this Shareholders' Meeting, not exceeding 20% of the share capital on the date of this resolution.
8. Admission to listing.- The Company may apply for admission to listing on regulated markets, multilateral trading facilities or other secondary markets, organized or otherwise, official or non-official, Spanish or foreign, of the securities issued pursuant to this delegation.
9. Powers of delegation. - Pursuant to the provisions of article 249 bis.1) of the Capital Companies Law, the Board of Directors is authorized to subdelegate the powers referred to in this resolution.

**Two.-** To render void, in the portion not used, resolution eleven adopted by the Annual Shareholders' Meeting of the Company held on July 31, 2020."

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Las Rozas – Madrid, May 5, 2022