



**REPORT ISSUED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA
INTERNACIONAL DE ALIMENTACIÓN, S.A. ON THE PROPOSED ALLOCATION OF
RESERVES AND SHARE CAPITAL REDUCTION AND AMENDMENT OF ARTICLE 5 OF
THE ARTICLES OF ASSOCIATION**

1. Purpose of the report

The Board of Directors of Distribuidora Internacional de Alimentación, S.A. (the “**Company**” or “**DIA**”) has resolved, at its meeting held today, to convene the Ordinary General Shareholders’ Meeting of the Company to be held on 20 June 2025 at first call (the “**General Shareholders’ Meeting**”) for the purpose of approving, among other matters:

- (i) The allocation of the “share premium”, amounting to 1,058,872,572.94 euros, and “other non-distributable reserves”, amounting to 1,845,403.00 euros, to offset losses, based on the Company’s individual balance sheet as of 31 December 2024 approved under item one of the agenda (the “**Allocation of Reserves**”).
- (ii) The reduction of the Company’s share capital by 290,294,490.00 euros, by reducing the nominal value of the Company’s shares by 5 euros (from 10 euros per share to 5 euros per share), in order to (a) offset losses in the amount of 148,202.148,202,045.54 euros, (ii) allocate to the legal reserve in the amount of 29,029,449.00 euros and (iii) to allocate to an unrestricted reserve in the amount of 113,062,995.46 euros (the “**Share Capital Reduction**” and together with the Allocation of Reserves, the “**Equity Rebalancing Transaction**”).

In order for the Equity Rebalancing Transaction to be submitted to the approval of the General Shareholders’ Meeting, it is mandatory for the Board of Directors to prepare this report containing the justification for the proposed resolutions, pursuant to the provisions of Articles 286 and 318 of the Consolidated Text of the Spanish Companies Act approved by Royal Legislative Decree 1/2010, of 2 July (the “**Spanish Companies Act**”), insofar as the resolutions relating to the Equity Rebalancing Transaction necessarily entail the amendment of Article 5 of the Articles of Association relating to the amount of the Company’s share capital.

2. Justification of the proposal

As of the present date, after the execution of the reverse split and consequent amortisation of shares in the first quarter of 2025 (to eliminate share fractions, also known as “*picos*”), DIA’s share capital amounts to 580,588,980 euros, divided into 58,058,898 shares with a nominal value of 10 euros each.

On the other hand, according to the Company’s balance sheet that serves as the basis for the Equity Rebalancing Transaction, as of 31 December 2024 (i) DIA’s individual net equity was 431,965,473.11 euros, and (ii) the accumulated losses (including those of previous years and those of the 2024 financial year) amounted to 1,208,920,021.48 euros.

The main purpose of the Equity Rebalancing Transaction is to clean up and strengthen the Company’s balance sheet, eliminating losses from the Company’s balance sheet and reducing the share capital figure to a figure below the individual net equity figure, which would allow, among other things, to re-establish the balance between the individual net equity and the share capital of the Company.

3. Characteristics of the Equity Rebalancing Transaction

In view of the Company's individual balance sheet as of 31 December 2024, the Board of Directors has decided to propose the Equity Rebalancing Transaction to the General Shareholders' Meeting.

For these purposes, it is noted that the balance sheet that will serve as the basis for the Equity Rebalancing Transaction is the Company's individual balance sheet closed as of 31 December 2024 whose approval is submitted to the same General Shareholders' Meeting under item 1 of the agenda. This balance sheet was drawn up by the Board of Directors of the Company at its meeting held on 27 February 2025 and was verified by the Company's auditor, Ernst & Young, S.L., on the same date.

(i) Allocation of Reserves

Pursuant to Article 322.2 of the Spanish Companies Act, the share capital of *sociedades anónimas* may not be reduced to offset losses if the Company has any kind of voluntary reserves or when the legal reserve, once the reduction has been made, exceeds ten per cent of the share capital.

For these purposes, it is proposed to the General Shareholders' Meeting under item 14.1 of the agenda that, prior to the Share Capital Reduction, the allocation of the reserves detailed below (which are included in the aforementioned balance sheet for this purpose) is approved.

According to the aforementioned balance sheet, the "negative results from previous years" account amounts losses of 1,106,082,160.28 euros. Consequently, it is proposed to the General Shareholders' Meeting that the following reserves be applied to partially offset this negative results account:

- (a) "share premium" in the amount of 1,058,872,572.94 euros; and
- (b) "other non-distributable reserves" in the amount of 1,845,403.00 euros (despite their categorisation as non-distributable reserves, the balance sheet that will serve as the basis for the Equity Rebalancing Transaction indicates that any amount exceeding the value of the Company's goodwill (21,000 euros) is considered as an available reserve).

For the purposes of Article 322.2 of the Spanish Companies Act, it noted that in the event that the proposed resolution under item 14.1 of the agenda is approved, the Company will not have any voluntary reserve or legal reserve, and once the Share Capital Reduction proposed under item 14.2 of the agenda has been carried out, the legal reserve will not exceed 10% of the share capital.

Once all of these reserves have been applied to offset the losses recorded in the "negative results from previous years" account, the balance of this account will amount to a negative figure of -45,364,184.34 euros, while the balance of the "result for the period" account will remain at a negative figure of -102,837,861.20 euros.

(ii) Share Capital Reduction

Based on the audited balance sheet referred to above, the Board of Directors proposes to the General Shareholders' Meeting to reduce the share capital by 290,294,490.00 euros (that is, from the current 580,588,980.00 euros to 290,294,490.00 euros), by reducing the nominal value all of the 58,058,898 outstanding shares of the Company by 5 euros, in accordance with the provisions of Article 320 of the Spanish Companies Act.

This amount would be applied to:

- (a) offset the entire “negative results from previous years” account, which after (a) the approval of the proposed allocation of results under item 3 of the agenda and (b) the allocation of reserves pursuant to item 14.1 of the agenda, amounts to a negative figure of -148,202,045.54 euros;
- (b) allocate 29,029,449.00 euros to the Company’s legal reserve, which will represent 10% of the share capital after the execution of the Equity Rebalancing Transaction; and
- (c) allocate 113,062,995.46 euros to an unrestricted reserve of the Company.

Pursuant to Article 335 of the Spanish Companies Act, the Company’s creditors may not oppose to the amount of the reduction of share capital intended to offset losses (148,202,045.54 euros) or to the amount of the reduction of share capital intended to be allocated to the legal reserve (29,029,449.00 euros).

The Company’s creditors may oppose to the amount of the share capital reduction intended to be allocated to unrestricted reserves (113,062,995.46 euros) within a period of one month from the publication of the last of the announcements of the share capital reduction in the Official Gazette of the Commercial Registry, on the Company’s website and in a newspaper with wide circulation in the province in which the Company has its registered address. After the one-month opposition period described above has elapsed, the Company shall carry out the formalisation acts necessary for the execution of the share capital reduction.

The effectiveness of the resolution on the Allocation of Reserves proposed under item 14.1 of the agenda shall be subject to the condition precedent consisting in the approval of item 1 of the agenda and the effectiveness of the Share Capital Reduction proposed under item 14.2 of the agenda shall be subject to the condition precedent consisting in the approval of items 1 and 14.1 of the agenda of the General Shareholders’ Meeting.

4. Amendment of Article 5 of the Articles of Association

In the event that the General Shareholders’ Meeting approves the Equity Rebalancing Transaction on the terms envisaged in this report, Article 5 of the Articles of Association of the Company shall be amended as follows:

“Article 5.- Share capital

1. The share capital amounts to TWO HUNDRED AND NINETY MILLION TWO HUNDRED AND NINETY-FOUR THOUSAND FOUR HUNDRED AND NINETY EUROS (290,294,490.00 euros) and is fully subscribed and paid up.

2. The share capital is made up of FIFTY-EIGHT MILLION FIFTY-EIGHT THOUSAND EIGHT HUNDRED AND NINETY-EIGHT (58,058,898) shares with a nominal value of FIVE EUROS (EUR 5.00), each belonging to the same class.”

5. Full text of the proposed resolution to the General Shareholders’ Meeting

The resolution that the Board of Directors proposes for the approval of the General Shareholders’ Meeting is transcribed below:

“14. Allocation of reserves and capital reduction in order to restore the balance and net equity structure of the Company

14.1 Allocation of reserves to offset losses.

A. Allocation of “share premium” and “other non-distributable reserves” to offset losses

In view of the Company’s individual balance sheet as of 31 December 2024, approved under agenda item 1, the Company has the following reserves:

- (i) ‘share premium’, amounting to 1,058,872,572.94 euros;*
- (ii) ‘other non-distributable reserves’ amounting to 1,866,730.00 euros;*
- (iii) ‘voluntary reserves’ for a negative amount of -1,351,285.25 euros;*

According to this balance sheet, the “negative results from previous years” account amounts to a negative figure of -1,106,082,160.28 euros, and the “result for the year” account amounts to a negative figure of -102,837,861.20 euros (the General Shareholders’ Meeting will approve the proposal to apply these losses for financial year 2024 to “negative results from previous years”).

The General Shareholders’ Meeting agrees to allocate:

- (i) the entire amount of the aforementioned “share premium” account, amounting to 1,058,872,572.94 euros; and*
- (ii) the amount of the “other non-distributable reserves” account that exceeds the net accounting value of the goodwill recorded under the Company’s assets (i.e. 1,845,403.00 euros);*

to partially offset the item “negative results from previous years”.

It should be noted that, after allocating these reserves to offset losses, the “negative results from previous years” account will amount to a negative figure of -45,364,184.34 euros, while the amount of the “result for the period” account will remain at a negative figure of -102,837,861.20 euros.

It is also stated for the purposes of Article 322.2 of the Spanish Companies Act, that in the event that the proposed resolution under item 14.1 of the agenda is approved, the Company will not have any voluntary reserve or legal reserve, and once the Share Capital Reduction proposed under item 14.2 of the agenda has been carried out, the legal reserve will not exceed 10% of the share capital.

The effectiveness of this agreement is subject to the condition precedent of the approval of item 1 of the agenda.

B. Delegation of powers

Without prejudice to the specific delegations of powers contained in other items on the agenda (which should be understood to have been granted with express powers of substitution and sub-delegation), it is resolved to delegate in favour of the Board of Directors, as broadly as may be appropriate in law, with express powers of substitution in the Chairman or Secretary of the Board of Directors, the powers to carry out all actions and formalities that may be necessary or merely convenient to achieve the execution and successful completion of this resolution and, in particular, by way of illustration only, the following:

- (i) To develop, supplement and interpret this agreement.*

- (ii) *To carry out all acts necessary to comply with the requirements of the Spanish Companies Act and other applicable regulations.*
- (iii) *To carry out the acts and formalities necessary to obtain the consents and authorisations required for the full effectiveness of this agreement.*
- (iv) *To carry out on behalf of the Company any action, procedure, declaration or management required before the CNMV, the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), the Governing Bodies of the Stock Exchanges and any other public or private body or entity or registry, Spanish or foreign, in relation to this agreement.*
- (v) *Draft and publish any announcement in connection with this resolution that may be necessary or appropriate, including notices of inside information or other relevant information, the announcement in the Official Gazette of the Commercial Registry, announcement on the Company's website, announcements in the press or in the Listing Reports of the Spanish Stock Exchanges.*
- (vi) *To execute such public and private documents as may be appropriate for the total or partial execution of the agreement and the power to carry out such acts as may be appropriate in relation to the foregoing agreements in order to register the same in the Commercial Registry and in any other registers, including, in particular, and among other powers, to appear before a notary public to execute the public deeds and notarial acts necessary or appropriate for this purpose, to correct, rectify, ratify, interpret or supplement the resolutions and to execute any other public or private document that may be necessary or appropriate until full registration of the resolutions adopted by the General Shareholders' Meeting is achieved, without the need for a new resolution.*
- (vii) *To correct, clarify, interpret, specify or supplement the resolutions adopted by the General Shareholders' Meeting, or those contained in any deeds or documents granted in execution thereof and, in particular, any defects, omissions or errors, of substance or form, that prevent the resolutions and their consequences from being registered with the Commercial Registry, the Official Registry of the CNMV or any others, including in this case the power to adjust the amount by which the losses are offset if, in view of the classification of the Commercial Registry, this is necessary because it is not possible to apply any of the reserves set aside for this purpose.*
- (viii) *In general, the power to carry out such acts and sign such public or private documents as may be necessary or advisable in the opinion of the Board of Directors or whoever may have received, where appropriate, its delegation, for the full effectiveness and fulfilment of the foregoing resolutions.*

14.2 *Reduction of the share capital by 290,294,490 euros, by reducing the nominal value of the Company's shares from 10 euros to 5 euros per share in order to (i) offset losses, (ii) allocate to the legal reserve and (iii) allocate to an unrestricted reserve. Amendment of Article 5 of the Company's Articles of Association.*

A. *Reduction of the Company's share capital by reducing the nominal value of the shares*

Following the allocation reserves to offset losses under resolution 14.1 above, it is proposed to the General Shareholders' Meeting to reduce the share capital by 290,294,490 euros, that is, from 580,588,980.00 euros to 290,294,490.00 euros, by reducing the nominal value of all ordinary shares

with voting rights comprising the share capital from the current 10.00 euros per share to 5.00 euros per share.

This share capital reduction is based on the Company's individual balance sheet as of 31 December 2024, approved under item 1 of the agenda and submitted for verification by the Company's auditor, Ernst & Young, S.L., as shown in the audit report issued by this firm on 27 February 2025. Said balance sheet and auditor's report will be incorporated into the public deed of share capital reduction.

The purpose of the share capital reduction is:

- (i) offset the entire "negative results from previous years" account, which after (a) the approval of the proposed allocation of results under item 3 of the agenda and (b) the allocation of reserves pursuant to item 14.1 above, amounts to a negative figure of -148,202,045.54 euros;
- (ii) to allocate to the Company's legal reserve in the amount of 29,029,449.00 euros, which will represent 10% of the Company's share capital after the implementation of the share capital reduction; and
- (iii) to allocate to an unrestricted reserve of the Company in the amount of 113,062,995.46 euros.

This share capital reduction resolution affects all the shares comprising the capital of the Company in proportion to their nominal value and, consequently, will not affect the voting or economic rights of shareholders.

The amount of the legal reserve does not exceed 10% of the share capital of the Company resulting from the share capital reduction.

Pursuant to Article 335 of the Spanish Companies Act, the Company's creditors may not oppose to the amount of the reduction of share capital intended to offset losses (148,202,045.54 euros) or to the amount of the reduction of share capital intended to be allocated to the legal reserve (29,029,449.00 euros).

The Company's creditors may oppose to the amount of the share capital reduction intended to be allocated to unrestricted reserves (113,062,995.46 euros) within a period of one month from the publication of the last of the announcements of the share capital reduction in the Official Gazette of the Commercial Registry, on the Company's website and in a newspaper with wide circulation in the province in which the Company has its registered address. After the one-month opposition period described above has elapsed, the Company shall carry out the formalisation acts necessary for the execution of the share capital reduction.

The effectiveness of this resolution is subject to the condition precedent consisting of the approval of items 1 and 14.1 on the agenda of the General Shareholders' Meeting.

B. Amendment of Article 5 of the Articles of Association

As a consequence of the foregoing, Article 5 of the Company's Articles of Association shall be amended to reflect the amount of the resulting share capital reduction in accordance with section 1 above.

The article shall therefore read as follows:

"Article 5.- Share capital

1. The share capital amounts to TWO HUNDRED AND NINETY MILLION TWO HUNDRED AND NINETY-FOUR THOUSAND FOUR HUNDRED AND NINETY EUROS (290,294,490.00 euros) and is fully subscribed and paid up.

2. The share capital is made up of FIFTY-EIGHT MILLION FIFTY-EIGHT THOUSAND EIGHT HUNDRED AND NINETY-EIGHT (58,058,898) shares with a nominal value of FIVE EUROS (EUR 5.00), each belonging to the same class.”

C. Delegation of powers

Without prejudice to the specific delegations of powers contained in other items on the agenda (which should be understood to have been granted with express powers of substitution and sub-delegation), it is resolved to delegate in favour of the Board of Directors, as broadly as may be appropriate in law, with express powers of substitution in the Chairman or Secretary of the Board of Directors, the powers to carry out all actions and formalities that may be necessary or merely convenient to achieve the execution and successful completion of this resolution and, in particular, by way of illustration only, the following:

- (i) To develop, supplement and interpret this agreement.
- (ii) To carry out all acts necessary to comply with the requirements of the Spanish Companies Act and other applicable regulations.
- (iii) To carry out the acts and formalities necessary to obtain the consents and authorisations required for the full effectiveness of this agreement.
- (iv) To carry out on behalf of the Company any action, procedure, declaration or management required before the CNMV, the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (IBERCLEAR), the Governing Bodies of the Stock Exchanges and any other public or private body or entity or registry, Spanish or foreign, in relation to this agreement.
- (v) Draft and publish any announcement in connection with this resolution that may be necessary or appropriate, including notices of inside information or other relevant information, announcement in the Official Gazette of the Commercial Registry, announcement on the Company’s website, announcements in the press or in the Listing reports of the Spanish Stock Exchanges.
- (vi) To execute such public and private documents as may be appropriate for the total or partial execution of the agreement and the power to carry out such acts as may be appropriate in relation to the foregoing agreements in order to register the same in the Commercial Registry and in any other registers, including, in particular, and among other powers, to appear before a notary public to execute the public deeds and notarial acts necessary or appropriate for this purpose, to correct, rectify, ratify, interpret or supplement the resolutions and to execute any other public or private document that may be necessary or appropriate until full registration of the resolutions adopted by the General Shareholders’ Meeting is achieved, without the need for a new resolution.
- (vii) To correct, clarify, interpret, specify or supplement the resolutions adopted by the General Shareholders’ Meeting, or those contained in any deeds or documents granted in execution thereof and, in particular, any defects, omissions or errors, of substance or form, that prevent the resolutions and their consequences from being registered with the Commercial Registry, the

Official Registry of the CNMV or any others, including in this case the power to adjust the distribution of the items to which the amount of the capital reduction is allocated (between loss compensation, legal reserve and available reserve), as well as the power to separate the different items to which the amount of the capital reduction is allocated in different resolutions.

- (viii) *In general, the power to carry out such acts and sign such public or private documents as may be necessary or advisable in the opinion of the Board of Directors or whoever may have received, where appropriate, its delegation, for the full effectiveness and fulfilment of the foregoing resolutions.”*

Las Rozas de Madrid, 19 May 2025