



**REPORT ISSUED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. FOR THE PURPOSES SET OUT IN ARTICLES 296.1 Y 297.1.(a) IN RELATION TO ARTICLE 286 OF THE SPANISH COMPANIES ACT, AND ARTICLE 28.4.(b) OF ROYAL DECREE 1066/2007, OF 27 JULY, ON THE RULES GOVERNING TAKEOVER BIDS FOR SECURITIES, ON THE RATIONALE FOR THE PROPOSALS TO INCREASE THE SHARE CAPITAL INCLUDED IN THE ITEM SIX OF THE GENERAL SHAREHOLDERS' MEETING'S AGENDA CALLED TO BE HELD ON 19 AND 20 MARCH 2019, ON FIRST AND SECOND CALL, RESPECTIVELY**

**I. Purpose of the report**

The Board of Directors of Distribuidora Internacional de Alimentación, S.A. (“**DIA**”, or the “**Company**”) has prepared this report to justify in compliance with (a) articles 286, 296.1 and 297.1.(a) of the Spanish Companies Act, approved by Royal Decree 1/2010 of 2 July (the “**Spanish Companies Act**”) and (b) article 28.4.(b) of Royal Decree 1066/2007, of 27 July, on the rules governing takeover bids for securities (“**Decree on Takeover Bids**”), the proposed resolution that is submitted for approval to the General Shareholders’ Meeting of the Company called to be held on 19 March 2019 at 10:00 on first call and on 20 March 2019 at the same time on second call (the “**General Shareholders’ Meeting**”), under the items 6.1 and 6.2 of its Agenda, which consist of, respectively:

- (i) the share capital increase by means of a cash consideration which the aim to raise the Company’s own funds by a maximum effective amount of (par value and share premium) EUR 600,000,000.00, to be carried out through the issue and putting into circulation new ordinary shares of the Company that shall be fully subscribed and paid up at the time of the subscription, with the recognition of the shareholders’ preferential subscription rights and foreseeing the possibility of incomplete subscription (the “**Capital Increase**”); and
- (ii) the authorization to the Board of Directors to combine, in one single capital increase, such Capital Increase and the one that the Board of Directors may approve with recognition of the shareholders’ preferential subscription right by means of the exercise of the delegation granted to the Board of Directors, as approved by the Ordinary General Shareholders’ Meeting held on 22 April 2016 under the fourth item of its agenda, to increase the share capital by a maximum amount of up to half of the amount of capital existing at the time of the approval of such delegation.
- (iii) is able to combine

This report has been unanimously approved by the members of the Board of Directors of DIA at its meeting held on 15 February 2019.



## II. Applicable law

In accordance with the provisions of Article 297.1.(a) of the Spanish Companies Act, the General Shareholders' Meeting, fulfilling the requirements established for the amendment of the Articles of Association, can delegate to the Board of Directors the powers to determine the date on which the already adopted resolution to increase the share capital should be executed in the approved amount and the power to set the conditions that are to apply in all matters not provide for by the resolution of the General Shareholders' Meeting. Likewise, as provided for in article 286 of the Spanish Companies Act in relation to articles 296.1 and 297.1 of the same legal text, the directors must issue a written report justifying the resolution.

Likewise, the rules governing takeover bids are applicable to these proposals to increase the share capital (in particular, articles 128 et seq. of the Consolidated Text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of 23 October ("LMV") and Decree on Takeover Bids, since on 5 February 2019 L1R Invest1 Holdings S.à r.l. (the "**Bidder**") announced to the Spanish National Stock Market Commission ("CNMV") the prior announcement regarding its voluntary takeover bid offer (the "**Offer**") over the 100% of DIA's shares (privileged information communication with registration number 274,460).

As it is deduced from the motivations that led the Board to submit the proposal for a Capital Increase to the General Shareholders' Meeting (see item 3 below), from the commitments assumed by the Company in this respect with its financial creditors and from the successive public announcements made by the Company in the last months anticipating the need to proceed with the proposal of the aforementioned increase, the purpose of the proposal is not to take any action that might prevent the success of the Offer within the meaning of article 28 of the Decree on Takeover Bids. Nevertheless, and in accordance with the aforementioned provision, the proposal submitted for consideration to the General Shareholders' Meeting (called as an Ordinary Shareholders' Meeting) complies with the formal requirements set forth in Article 28.4, including (a) the inclusion in the call notice of the Meeting and in its announcement of the corresponding references, and (b) the preparation of this report justifying the actions to be carried out for which the authorization of the Meeting is required.

It should be noted that the Bidder has included as a condition of the Offer, in accordance with article 13.2.(d) of the Royal Decree 1066/2007, that the Company does not issue any shares or other instruments convertible into shares before the CNMV communicates the result of the Offer in accordance with article 36.2 of Royal Decree 1066/2007. Therefore, the Bidder could withdraw the Offer in the event that the Capital Increase is approved by the General Shareholders' Meeting. The Bidder has stated that, at the date of the announcement of the Offer, it does not intend to vote in favour of any issue of shares or other instruments convertible into shares by the Company which execution takes place before the CNMV communicates the result of the Offer, although at the same time the Bidder has indicated that, if it decides to waive this condition, it shall request authorisation from the CNMV to modify



the Offer, extending the Offer to all the holders of subscription rights of shares and instruments convertible into shares and shall make any other adaptations to the terms and conditions of the Offer that may be necessary.

### **III. Justification of the proposal**

The Board of Directors of the Company propose this resolution to the General Shareholders Meeting of the Company on the basis that, given the current situation, it is essential to equilibrate the Company's net equity, whose own funds are currently negative, making it possible to continue as a entity in operation and strengthening its capital and financial long-term structure of the Company, in such a way so as to permit the reduction of the financial leverage of the Company and of the other companies in the consolidated group (the "**Group**"), honour the financial commitments of the Group, and assume the strategic goals outlined in its strategic plan.

The accumulated losses during the year ended on 31 December 2018 have reduced the Company's net equity to EUR -98,829,013.03, situation which obliges the Company, in accordance with the provisions of article 363.1.(e) of the Spanish Companies Act, to adopt the necessary measures to restore its equity balance and remove the Company's cause of dissolution. This Capital Increase together with the allocation of reserves and the capital reduction to offset losses which approval is submitted to the General Shareholders' Meeting under items 5.1 and 5.2 of the General Shareholders' Meeting agenda, respectively, will enable the aforementioned rebalance and, in case of full subscription, will bring Company's net equity to over EUR 500.000.000. In accordance with the provisions of article 366 of the Spanish Companies Act, if the General Shareholders' Meeting does not approve the Capital Increase and no other operation is materialized that would allow to remove the legal cause of dissolution in which the Company is involved, the Board of Directors should request the judicial dissolution of the Company within two months from the date of the General Shareholders' Meeting.

Likewise, this share capital increase is due to and is justified by the ongoing process for the global refinancing of the Company's bank debt, this increase being a necessary requirement for such refinancing. In this regard, the inflow of financial resources will be used by the Company to meet its short-term financial commitments, thereby reducing the Group's financial leverage, as well as to finance the Group's business plan.

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 aforementioned allocation of reserves and capital reduction to offset of 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.

In this regard, the Capital Increase is framed within a set of measures that include:



- (i) The signing of a series of agreements relating to the financing of the DIA group's bank debt with certain financial institutions (the "**Financing Agreements**"), for an amount of EUR 896 million until 31 May 2019, which main terms were communicated to the public by means of the corresponding communication of privileged information on 31 December 2018 and which, among other obligations, contained a commitment from the Company to promote the necessary actions to proceed with the approval of the Capital Increase.
- (ii) Obtaining indicative backing (subject to certain conditions including the disbursement of the Capital Increase) from its main syndicated creditors for an extension of the final maturity date of its current syndicated lines of financing that will remain after the aforementioned Capital Increase, for an amount of EUR 765 million, until March 2023 (subject to the obligation of anticipated redemption of up to EUR 100 million from the proceeds of the sale of the non-strategic assets Clarel and Cash & Carry (MAX Descuento)). Such backing by its syndicated creditors is based on a Heads of Terms which, subject to its completion and the fulfillment of certain conditions (including the disbursement of the Capital Increase), will place the Company in a solid financial position to execute its strategic plan.
- (iii) The adoption of certain strategic actions for the Company, including a divestment plan on assets that are not part of its core business, such as Clarel and Cash & Carry (MAX Descuento), as were reported to the market and as described in the 2018 annual accounts and contemplated in the Business Plan.

In addition to the abovementioned measures, the Board of Directors has agreed:

- (i) To reinforce the divestment plan of the Company.
- (ii) Not to distribute DIA dividends to its shareholders without the consent of the financing institutions that subscribe the Financing Agreements as long as the current debt with such institutions has not been redeemed.

Once disbursed, the Capital Increase will enable the Company to meet its financial commitments (including the maturity of a Group's bonds issues maturing on July 2019 for an amount of EUR 305.7 million), thus reducing the Group's financial leverage, as well as financing the Group's business plan. In this regard, the Capital Increase is part of a global agreement reached with the Group's main financial creditors, which not only allows the Group's equity situation to be rebalanced, but also, subject to compliance with certain conditions, enables a financial and capital structure that is at the same time robust, sustainable and stable. It is therefore an share increase proposal that has the explicit backing of the main financial creditors and which, if carried out within the usual deadlines for this type of transaction, comprehensively resolves the Group's financial needs in the short and medium term.



Like any other action plan that requires the execution of a variety of operations with higher or lower execution risks, these set of measures can be affected by the economic and financial circumstances at the time they are to be executed. The Company understands that within a framework of normality in the development of its activity, these measures are going to be sufficient for the purposes for which they are intended, but it does not rule out that, in the event of a negative change in circumstances, it has to adapt or complement them with additional measures.

Consequently, the Capital Increase is a part of a set of measures aimed at reducing the corporate debt and improving the Company's liquidity position. In addition, the maintenance of an adequate level of own funds and thus, of solvency, is essential to access convenient sources of funding in favorable 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 rest of the jointly announced measures, 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. The Board of Directors will be entitled to declare the incomplete subscription of the capital increase as long as it is sufficient to meet the financial commitments assumed under such conditions that ensure the Company's sustainability.

Nevertheless, it should be noted that it is proposed to expressly authorise the Board of Directors not to execute the resolution if having regard to the Company's interests, the general market conditions, the financial structure of the Company resulting from the capital



increase or any other circumstances that may affect the Company would make it unadvisable or would impede its execution. The Board of Directors would provide notice of its decision not to execute the share capital increase by means of the corresponding communication of privileged information via the Spanish Securities Market Commission's (CNMV) website. In such case, the Board of Directors and the management team of the Company shall make their best efforts to analyse alternative options in order to protect the Company's interests.

In addition, the Board of Directors deems it appropriate to recognise all shareholders' preferential subscription rights in the context of the proposed share capital increase, so that they can participate in the proposed transaction under the best possible conditions, whilst at the same time maintain their shareholding.

Lastly, the authorization of the General Shareholders' Meeting is requested so that the Board of Directors is able to combine, in one single capital increase, this Capital Increase and the one that the Board of Directors may approve with recognition of the shareholders' preferential subscription right by means of the exercise of the delegation granted to the Board of Directors, as approved by the Ordinary General Shareholders' Meeting held on 22 April 2016 under the fourth item of its agenda, to increase the share capital by a maximum amount of up to half of the amount of capital existing at the time of the approval of the said delegation.

If that proposal is adopted, the Board of Directors would be empowered to jointly execute and combine in one sole emission the Capital Increase approved in this General Shareholders' Meeting together with a capital increase that would be executed using the delegation referred to above in the amount and form that it deems appropriate.

#### **IV. Proposed resolutions submitted for the approval of the General Shareholders' Meeting**

The entire text of the proposed Capital Increase resolution, in accordance with the provisions of article 297.1.(a) of the Spanish Companies Act and the authorization to the Board of Directors to combine, in one single capital increase, this Capital Increase and the one that the Board of Directors may approve with recognition of the shareholders' preferential subscription right by means of the exercise of the delegation granted to the Board of Directors, as approved by the Ordinary General Shareholders' Meeting held on 22 April 2016, which is submitted for the approval of the General Shareholders' Meeting, is as follows:

**ITEM 6.1 OF THE AGENDA: SHARE CAPITAL INCREASE WITH THE AIM OF RAISING THE COMPANY'S OWN FUNDS IN AN EFFECTIVE MAXIMUM AMOUNT (PAR VALUE PLUS SHARE PREMIUM) OF EUR 600,000,000.00, TO BE CARRIED OUT THROUGH THE ISSUE AND PUTTING INTO CIRCULATION OF NEW ORDINARY SHARES THAT SHALL BE FULLY SUBSCRIBED AND PAID UP BY MEANS OF A CASH CONSIDERATION, WITH THE RECOGNITION OF THE SHAREHOLDERS' PREFERENTIAL SUBSCRIPTION RIGHTS AND WITH INCOMPLETE SUBSCRIPTION PREVISION. THE BOARD OF DIRECTORS**



**SHALL DETERMINE (I) THE PAR AMOUNT OF THE CAPITAL INCREASE AND THE NUMBER OF ORDINARY SHARES TO BE ISSUED, AND (II) THE ISSUE RATE OR PRICE OF THE NEW ORDINARY SHARES. DELEGATION OF POWERS TO THE BOARD OF DIRECTORS, WITH POWERS TO SUBDELEGATE, TO EXECUTE THIS RESOLUTION AND TO SET THOSE CONDITIONS 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.**

### **1. Share capital increase and cash value**

It is resolved to increase the share capital of the Company by an effective maximum amount of EUR 600,000,000.00 with the recognition of the shareholders' preferential subscription rights, through the issue and putting into circulation of new ordinary shares, of the same class and series as those currently outstanding, represented through book-entries (the "**Capital Increase**").

It will correspond to the Board of Directors determining, depending on market conditions at the time of the execution of this agreement: (i) the nominal amount of the Capital Increase and the number of ordinary shares to be issued (ii) the issue rate or the issue price of the new shares and, in particular, the amount of the share premium for each new share issued, with a maximum effective amount of EUR 600,000,000.00 (par value plus share premium).

It is hereby resolved to expressly delegate on the Board of Directors the power not to execute the resolution if having regard to the Company's interests, the general market conditions, the financial structure of the Company resulting from the capital increase or any other circumstances that may affect the Company would make it unadvisable or would impede its execution. In the event the Board of Directors resolves to make use of this delegation, the Board of Directors will inform of its decision not to execute the share Capital Increase by means of the corresponding communication of privileged information via the Spanish Securities Market Commission's (CNMV) website and will report on the matter at the first General Shareholders' Meeting to be held subsequent to such decision.

In addition, it is hereby resolved to authorise the Board of Directors to reduce the effective maximum amount of EUR 600,000,000.00 of equity which is intended to be increased with the agreed Capital Increase if, for purely technical reasons, such a reduction would be advisable in order to obtain a practicable ratio of the number of preferential subscription rights corresponding to shareholders for each share of the Company they hold.

The effective amount that is eventually determined by the Board of Directors when executing the Capital Increase in attention to the three previous paragraphs will be referred as "**Effective Amount**", and will be subject to the upward or downward variations exclusively in the specified cases in this section or in the following section 2 of this agreement.



## **2. Nominal amount, issue rate and number of shares**

The amount of share capital shall be increased by the amount corresponding to the nominal value of the new shares that are issued, deducting accordingly from the Effective Amount of the Capital Increase the amount corresponding to the share premium of the new shares, calculated in accordance with the issue rate (par plus share premium) per share determined by the Board of Directors (or by the person or persons to whom the Board of Directors delegates the relevant powers) in execution of the powers delegated in their favour under section 11 below of this resolution. The issue rate per share will be fixed by reference to the market price of the Company's shares, taking into account the market circumstances at the time of execution of this agreement, and may include a discount on the market price of the shares in accordance with market practice in capital increases of this nature underwritten by financial institutions.

Similarly, the final number of new shares issued in the Capital Increase will be determined as the result of dividing the Effective Amount by the issue rate per share determined by the Board of Directors (or by the person or persons to whom the Board of Directors delegates the relevant powers).

## **3. Dates and conditions**

The Board of Directors is determine the date on which the resolution must take effect within the maximum period of one year from its approval by the General Shareholders' Meeting and to set the terms and conditions thereof in all matters not provided for in this agreement, in accordance with article 297.1(a) of the Spanish Companies Act.

The Board of Directors may also abstain from executing this Capital Increase if, in its opinion, taking into account the social interest, unforeseen circumstances relating to market conditions in general or to the financial structure resulting from the capital increase operation or other circumstances that may affect the Company, make it not advisable or prevent its execution. In the event of making use of this power, the Board of Directors shall inform of the decision not to execute the Capital Increase by means of the corresponding publication as privileged information on the CNMV website and shall inform thereof at the first General Shareholders' Meeting held subsequent to said decision.

## **4. Preferential subscription rights**

Pursuant to article 304 of the Spanish Companies Act, shareholders shall have the right to subscribe a number of shares proportional to the amount of shares that they own on the assignment date of their respective preferential subscription rights.

The preferential subscription rights will be assigned to the shareholders of the Company that have acquired or subscribed their shares until the day the call for the Capital Increase is published in the Commercial Registry's Official Gazette, inclusive (Last Trading Date), and which acquisition transactions have been settled within the two trading days immediately



following such date. The preferential subscription period (the “**Preferential Subscription Period**”) shall commence the day immediately following the referred call for the Share Capital Increase is published in the Commercial Registry’s Official Gazette.

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. As a consequence, during the preferential subscription period other investors different than the shareholders will be able to acquire enough preferential subscription rights and in the necessary proportion to subscribe new shares of the Company.

The preferential subscription rights may be exercised within the fifteen (15) calendar days following the next trading day after the call for the Capital Increase is published in the Commercial Registry’s Official Gazette. 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.

Shareholders holding preferential subscription rights, as well as investors or shareholders that purchase preferential subscription rights, may request for the subscription of additional shares in the event that the Share Capital Increase has not been fully subscribed after the elapse of the Preferential Subscription Period. The Board of Directors, in any event, will be able to allow for additional periods or rounds so that the new shares that could be left unsubscribed and unpaid during the preferential subscription period can be reassigned to those shareholders that, having executed their preferential subscription rights, express their interest in acquiring additional shares and/or other investors, setting, in any event, the procedure and the deadlines of these additional periods or rounds.

The Board of Directors will be able to conclude in advanced the Capital Increase, at any time, as long as this would have been fully subscribed, without prejudice of declaring it executed and closed once the preferential subscription period is over and, as the case may be, once the additional periods or rounds are over and once the payment of the subscribed shares has been made, and it will determine, in the case of incomplete subscription of the Capital Increase, the final amount and the number of subscribed new shares.

To exercise the preferential subscription rights during the Preferential Subscription Period and the request allocation of additional shares, the owners of the abovementioned rights will be able to take the exercise orders addressing 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 the request for allocation of additional shares right shall be understood to have been made firmly, irrevocably and unconditionally.



The documentation of the issuance and, in particular, the prospectus of the Capital Increase to be registered with the Spanish Securities Market Commission (CNMV), shall regulate the terms and conditions in which the payment of the par value and the share premium corresponding to each class of the new shares will take place and, if applicable, the allotment of additional shares and the allotment of discretionary shares.

#### **5. Payment**

The payment of the new shares, including its par value and the share premium, determined if applicable, shall be made by means of cash contributions made in accordance with the Board of Directors instructions and on time, as provided for in this resolution.

In accordance with article 299.1 of the Spanish Companies Act, it is placed on record that the Company's previously issued shares are paid in full.

#### **6. Representation of the new shares**

The new shares to be issued shall be represented in book-entry form and the relevant record shall be kept by Iberclear and its participating entities.

#### **7. Rights of the new shares**

As of the date of the Capital Increase is declared subscribed and paid, the new shares will confer their owners the same economic and political rights as the currently outstanding ordinary shares of the Company. In particular, as far as economic rights are concerned, the new shares will give right to the social dividends, on account or definitive, the distribution of which will be agreed as from that date.

#### **8. Incomplete subscription**

In accordance with the provisions included in article 311 of the Spanish Companies Act, the possibility of an incomplete subscription of the Capital Increase is expressly provided for. Consequently, if the new shares were not subscribed entirely upon finalization of the Preferential Subscription Period, the Board of Directors may (i) discretionally allocate the shares not subscribed to any third party, whether or not a shareholder, or, as the case may be, to the entity or entities placing or underwriting the issue, for subscription within the period determined for such purpose by the Board of Directors once the aforementioned preferential subscription period has ended, and/or (ii) in accordance with the provisions included in article 311 of the Spanish Companies Act, resolve an incomplete subscription of the share Capital Increase and increase the share capital in the subscribed amount.

#### **9. 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 to amend article 5 of the Articles of Association relating to the share capital, once the proposed Capital Increase has been agreed and executed, in view of its definitive result.



## **10. Application to listing**

It is resolved to apply for the listing of the new shares issued under the Capital Increase on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System, 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.

Similarly, it is resolved to request the inclusion of the new shares in the book-entry registries of Iberclear and its participating entities.

## **11. Delegation of powers**

Without prejudice to 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 subdelegation 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 agreement and the authorization of establishing all those conditions that are not expressly provided in this agreement.

Likewise, it is resolved to authorize the Board of Directors, as broadly as required by law, with express authority to substitute or subdelegate to any member of the Board during a maximum period of one (1) year since the date of adoption of this agreement, so that any of them may carry out any action or procedure that might be necessary or merely convenient to accomplish the execution and the satisfactory execution of the Capital Increase, and, in particular, by way of illustration and not limitation, the following:

- i. indicate the date on which the Capital Increase agreement must take effect, as well as, if applicable, whether it will be carried out in one or more rounds;
- 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;
- iii. determine the issue rate of the new shares, that is, their par value, the share premium and the number of shares to be issued;
- iv. establish any other points relating to the Capital Increase that have not been determined by this agreement, including the authority to propose one or various shareholders that they resign to preferential subscription rights in the amount necessary to ensure that the number of shares to be issued is proportional to agreed exchange ratio;
- v. amend the wording of the article 5 of the Articles of Association as a consequence of the result of the Capital Increase, in accordance with the article 297.2 of the Spanish Companies Act;



- vi. establish that, in the event of incomplete subscription, the capital shall be increased only by the amount of the subscriptions made;
- vii. resolve not to execute this resolution if the Company's corporate interest, or other circumstances that may affect the Company, it were not advisable or impossible to execute this resolution;
- viii. draft, subscribe and file, with the Spanish National Securities Market Commission ("CNMV") the Capital Increase prospectus, in compliance with the provisions included in the Spanish Securities Market Act, Commission Regulation (EC) No 809/2004 of 29 April 2004 and Royal Decree 1310/2005 of 4 November, partially implementing the revised text of the Securities Market Act, in relation to the admission to trading of securities on official secondary markets, public offers for sale or subscription and the prospectus required for such purposes, assuming, on behalf of the Company, the responsibility over the content of the referred documents, as well as, the faculty to draft, subscribe and file as many supplements to the aforementioned documents that may be necessary or convenient, requesting their review, approval and/or registry by the CNMV and communication of information that is deemed necessary or convenient;
- ix. execute the Capital Increase of the Company, carrying out all the necessary or appropriate actions for the best execution thereof;
- x. draft, subscribe and submit any additional or complementary documentation or information required before the CNMV or any other national or foreign authority.
- xi. take any action, make any declaration or deal with anything before the CNMV, the Governing Bodies of the Spanish 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;
- xii. appoint a broker entity and the underwriters or the placement entities of the issuance and negotiate the terms and conditions of their intervention;
- xiii. establish the proportion between preferential subscription rights and the new shares, according to the circumstances at the time the capital increase is carried out, depending on the issue rate and the Cash Amount that are established;
- xiv. declare executed the share 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, establishing, in the event of incomplete subscription of the Capital Increase, the final amount and the number of shares subscribed, issuing as many public or private documents as may be appropriate for its execution;



- xv. negotiate, subscribe and grant as many public and private documents as may be necessary regarding to the Capital Increase in accordance with the established practice in this type of operations, including, in particular, one or more insuring and/or placement contracts, granting such guarantees and indemnities to the insurers and/or underwriters as may be necessary or convenient;
- xvi. draft and publish whatever announcements may be necessary or advisable;
- xvii. draft, sign and execute, and where appropriate certify, documents of all kinds;
- xviii. apply for the listing of the New Shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Automated Quotation System (*Mercado Continuo*);
- xix. jointly execute and combine un a sole emission the Capital Increase agreed in the present General Shareholders' Meeting and any other capital increase that is executed using the delegation conferred by the General Shareholders' Meeting held on 22 April 2016 under the item four of the General Shareholders' Meeting Agenda, as well as fixing a single list of the number of preferential subscription rights that will correspond to the shareholders for each share of the Company that they hold in the event that these capital increases are carried out jointly and combined in a single issue;
- xx. appear before the notary public of his choice and notarize this agreement 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 agreement in any of its aspects and contents and, in particular, to correct, clarify, interpret, complete or specify, as the case may be, the agreement adopted and, in particular, to correct any defects, omissions or errors that may be appreciated in the verbal or written qualification of the Mercantile Registry; and
- xxi. Lastly, the Board of Directors is expressly authorized, in turn, to delegate to any of its members, or any proxies that may be determined, 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.

**ITEM 6.2 OF THE AGENDA: AUTHORIZATION TO COMBINE IN A SINGLE CAPITAL INCREASE SUCH CAPITAL INCREASE WITH ANOTHER CAPITAL INCREASE THAT MAY BE APPROVED BY THE BOARD OF DIRECTORS IN THE EXERCISE OF THE DELEGATION**

It is resolved to authorize the Board of Directors to combine, in one single capital increase, such Capital Increase with that the one that the Board of Directors may approve with recognition of the shareholders' preferential subscription right by means of the exercise of the delegation granted to the Board of Directors, as approved by the Ordinary General Shareholders' Meeting held on 22 April 2016 under item four of its agenda, to increase the



share capital by a maximum amount of up to half of the amount of capital existing at the time of the approval of the said delegation.

Likewise, and without prejudice to the delegations of specific powers contained in the previous sections (which must be understood to have been granted with express powers of substitution and subdelegation in the bodies and persons detailed herein), it is resolved to delegate to the Board of Directors, as broadly as possible in law, with powers of substitution and sub-delegation in any of the directors, to carry out all the actions and formalities that are necessary or merely convenient to achieve the execution and success of the capital increase agreed, where appropriate, under this agreement, in the same terms as those contemplated in the resolution adopted under section 6.1 of the agenda.

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Madrid, 15 February 2019.