



**REPORT PREPARED BY THE BOARD OF DIRECTORS OF DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN, S.A. IN RELATION TO THE AMENDMENT OF THE TAKEOVER BID PROMOTED BY L1R INVEST1 HOLDINGS S.à r.l.**

On 28 March 2019 the National Securities Market Commission (*Comisión Nacional del Mercado de Valores* or “**CNMV**”) authorised the voluntary takeover bid (hereinafter the “**Initial Offer**”) launched by L1R Invest1 Holdings, S.à r.l. (“**LetterOne**” or the “**Bidder**”) in respect of the entire share capital of Distribuidora Internacional de Alimentación, S.A. (“**DIA**” or the “**Company**”) which terms and conditions are described in detail in the relevant prospectus prepared by the Bidder and authorised and registered in the official registries of the CNMV (the “**Prospectus**”).

The Board of Directors of DIA (hereinafter the “**Board of Directors**”), at its meeting of 9 April 2019, unanimously approved the mandatory report in relation to the Initial Offer (the “**Initial Offer Report**”) pursuant to article 24 of Royal Decree No. 1066/2007, of 27 July, on the regime governing takeover bids (*Real Decreto 1066/2007, de 27 de julio, de régimen de las ofertas públicas de adquisición de valores*) (“**Royal Decree 1066/2007**”).

Subsequently, the Bidder has decided to extend the acceptance period of the Initial Offer on two occasions (17 and 26 April 2019).

On 30 April 2019, the Bidder submitted to the CNMV a request for authorisation to amend the Initial Offer, consisting in the reduction of the condition regarding the minimum acceptance level of the Initial Offer, subject to the CNMV confirming that the price of EUR 0.67 per share offered by the Bidder is considered an “equitable price” (*precio equitativo*) for the purposes of Article 9.4 f) of Royal Decree 1066/2007, a decision that the CNMV had not taken in the Initial Offer authorisation.

On 6 May, and by means of communication of inside information with registry number 277,743, the Bidder announced its decision to improve the requested amendment by deleting the minimum acceptance level condition; however, such improvement was still subject to the to the abovementioned consideration of “equitable price”.

On 6 May 2019 the CNMV has authorised the amendment of the terms of the Initial Offer (the “**Amended Offer**” and, together with the Initial Offer, the “**Offer**”) which terms and conditions are described in detail in the relevant supplement to the Prospectus (the “**Supplement**”) prepared by the Bidder and authorised and registered in the official registries of the CNMV.

In accordance with articles 24 and 31 of Royal Decree 1066/2007, the Board of Directors of DIA, at its meeting of 7 May 2019, has approved this report in relation to the Amended Offer launched by the Bidder over the entire share capital of DIA, which will be subsequently published as required by law.

All the members of the Board of Directors attended, present or represented, the abovementioned meeting, and this report has been approved by the favourable vote of all directors.

The Board of Directors of DIA reminds the shareholders of the mandatory but non-binding nature of this report and of the opinions included herein, and that it is for each shareholder,



based on its particular interest and situation, to decide whether or not to accept the Amended Offer.

## **1. MAIN FEATURES OF THE AMENDMENT INTRODUCED TO THE INITIAL OFFER**

In accordance with the terms of the Supplement, in which the shareholders may find a complete description of all the aspects and conditions of the Amended Offer, the main feature of the amendment is the following:

### **Deletion of the condition to which the Offer is subject in relation to the minimum acceptance level**

The Initial Offer was conditional upon a minimum acceptance level consisting of it being accepted by shareholders of the Company whom, together, held at least 50% of the shares to which the Initial Offer was effectively addressed, thus requiring the acceptance of at least 220,968,910 shares, representing 35.499% of the share capital of the Company, that, together with the 180,518,694 shares representing 29.001% of the share capital held by the Bidder, would have enabled LetterOne to achieve a minimum stake of 64.50% of the share capital.

Pursuant to the Supplement, the Bidder has modified the Initial Offer by deleting the condition related to the minimum acceptance level.

In its authorisation of the amendment of the Initial Offer, the CNMV has determined that the price of EUR 0.67 per share offered by the Bidder has the consideration of “equitable price” for the purposes of Article 9.4 f) of Royal Decree 1066/2007, on the understanding that the CNMV believes that DIA is demonstrably facing serious financial difficulties.

## **2. ACTIONS TAKEN BY THE BOARD OF DIRECTORS OF DIA SINCE THE PUBLICATION OF ITS REPORT IN RELATION TO THE INITIAL OFFER**

As indicated in the Initial Offer Report, since the initial announcement of the Initial Offer, DIA’s Board of Directors has diligently observed the laws applicable to public takeover bids.

Due to their relevance, the following actions carried out from the date of the Initial Offer Report until now are highlighted:

- a) On 26 April 2019 (registry number 277,449), the Company communicated to the market the entering into an amendment agreement with its financial lenders to amend the current financing syndicated facilities, which as of that date amounted to a maximum of EUR 912,119,190, by virtue of which the term DIA has to agree and launch a share capital increase or any other equity-like instrument in terms satisfactory to the financial lenders, has been extended until 31 May 2019.
- b) On 26 April 2019 (registry number 277,450), the Company communicated to the market a trading update on estimated unaudited results regarding the consolidated financial information for the first quarter of 2019, mentioning as well that final consolidated financial information for the first quarter of 2019 is expected to be published on 14 May 2019.

## **3. ADVICE RECEIVED BY THE BOARD OF DIRECTORS**

As of the date of this report, DIA’s Board of Directors continues relying on the financial advisory of Houlihan Lokey EMEA LLP (“**Houlihan Lokey**”) and RothschildCo España,



S.A. (“**Rothschild & Co.**”) in connection with the process of refinancing of its financial debt commenced in the last quarter of 2018, as well as, in the case of Rothschild & Co, in relation to the Offer.

Also, DIA’s Board of Directors is still relying on the advisory of Clifford Chance, S.L.P.U. and Uría Menéndez Abogados, S.L.P. as legal advisors during the Offer.

**4. AGREEMENTS BETWEEN DIA AND THE BIDDER, ITS SHAREHOLDERS OR DIRECTORS, OR BETWEEN THE DIRECTORS OF DIA AND THE BIDDER, ITS SHAREHOLDERS OR DIRECTORS**

As of the date hereof, the statements made in Section 4 of the Initial Offer Report in relation to the inexistence of the agreements referred to therein in relation to the Offer are still valid.

At the request of the Bidder and following the announcement of its intention to evaluate the potential amendment to the Initial Offer which is the subject of this report, on 26 April 2019, DIA and Duff & Phelps, S.A. (“**Duff & Phelps**”), in its condition of expert designated by the Bidder for the purposes of issuing a valuation report, entered into a confidentiality agreement to enable Duff & Phelps to receive the relevant confidential information regarding the Company and its group.

**5. SECURITIES OF THE BIDDER POSSESSED, DIRECTLY OR INDIRECTLY, BY DIA, BY THE PERSONS WITH WHOM IT ACTS IN CONCERT OR BY THE MEMBERS OF ITS BOARD OF DIRECTORS**

As of the date of this report, the statements made in Section 5 of the Initial Offer Report in respect of the issues addressed therein continue to be valid.

**6. SECURITIES OF DIA POSSESSED OR REPRESENTED, DIRECTLY OR INDIRECTLY, BY THE MEMBERS OF THE BOARD OF DIRECTORS**

As of the date hereof, the statements made in Section 6 of the Initial Offer Report in relation to the shares of DIA directly or indirectly owned by the members of the Board of Directors remain accurate.

**7. CONFLICTS OF INTERESTS OF THE MEMBERS OF THE BOARD OF DIRECTORS OF DIA AND INDICATION OF ITS NATURE**

It must be noted that none of the members of the Board of Directors of DIA has reported to be in a conflict of interest situation.

**8. OBSERVATIONS AND OPINION OF THE BOARD OF DIRECTORS OVER THE AMENDED OFFER**

**8.1 General observations**

The Board of Directors refers to the statements contained in the Initial Offer Report over different aspects related to the Initial Offer, including among others those related to the purpose of the Offer, the plans and intentions of the Bidder in relation to DIA and the consideration offered

Additionally, it is hereby noted that, pursuant to the Supplement, the Amended Offer removes the minimum acceptance level initially foreseen in the Initial Offer as one of the conditions to its effectiveness.



As stated by the CNMV in its resolution dated 6 May, the deletion of the referred condition of minimum acceptance *“results in a more favourable treatment for the addressees of the bid, pursuant to Article 31 of Royal Decree 1066/2007, of 27 July, on takeover bids, as it eliminates the condition of minimum acceptance required by the offeror for the effectiveness of the bid. Said elimination also allows, in this specific case, each of the shareholders to freely accept or not the bid without having to consider what the decision of the other shareholders would be and its effect on the outcome of the bid. At the same time, the modification of the offer respects the principle of equal treatment for all the addressees, which is also required under Article 31 of the previously mentioned Royal Decree”*.

It must be noted that the Bidder has not proposed an amendment of the consideration offered, which remains unchanged. Nevertheless, it must be noted that, in its resolution dated 6 May 2019 authorising the amendment of the Initial Offer requested by the Bidder, the CNMV has taken a new position in relation to the Offer Price and on this occasion has accepted the request made by the Bidder in the sense of admitting that the price of EUR 0.67 per share of DIA payable in cash has the consideration of “equitable price” for the purposes of article 9.4f) of Royal Decree 1066/2007, on the understanding that DIA is demonstrably facing serious financial difficulties. The Board of Directors acknowledges the referred decision of the CNMV and recommends the shareholders to read the grounds that, in the opinion of the Bidder and as appreciated by the CNMV, justify the application of said rule on the understanding that the Company is demonstrably facing serious financial difficulties.

The CNMV considers sufficiently reasoned its consideration of “equitable price” for the purposes of article 9.4.f) of Royal Decree 1066/2007. In its analysis, the CNMV has assessed the valuation report prepared by Duff & Phelps and submitted by the Bidder that, relying on the methods foreseen in Article 10 of Royal Decree 1066/2007, results in a valuation lower than the price offered in the Offer. The CNMV has also indicated that, in this case, it has requested a specific report from a second external expert that has validated in all its essential aspects the conclusions of the report submitted by the Bidder.

In accordance with Article 8.f) of Royal Decree 1066/2007, in the event that the Bidder reaches 30% of more of the voting rights of DIA (or, by any other mean, acquires control over DIA), the Bidder would not be subject to the obligation of launching a mandatory public takeover bid over the remaining shares of the Company, irrespective of the level of acceptance of the Offer.

It should also be noted that the Bidder has not notified any amendment in respect of its intentions regarding the potential delisting of the Company (see Section 4.1 of the Prospectus). Consequently, in the event that the Bidder decided in the future to promote the delisting of the Company, such delisting would be executed by means of a delisting takeover bid which price shall be authorised by the CNMV taking into account the criteria and requirements referred to in article 10 of Royal Decree 1066/2007.

## **8.2 Opinion of the Board of Directors**

In accordance with articles 24 and 31 of Royal Decree 1066/2007, the Board of Directors is under a duty to issue a detailed and justified report in relation to the amendment of the Initial Offer authorised by the CNMV.

Taking into account the remarks highlighted in this report and in the Initial Offer Report, as well as the information included in the Supplement, considering its impact in the Company’s



interests, the Board of Directors **expresses a FAVOURABLE OPINION in respect of the Amended Offer**, in coherence with the opinion expressed in its report on the Initial Offer, on the understanding that the removal of the condition related to the minimum acceptance level eliminates the main uncertainty concerning the Initial Offer and, thus, favours the potential implementation of the recapitalisation plans of the Company and its group.

In any case, it is for the shareholders to decide, in light of their particular situations and interests, whether they accept or not the Amended Offer.

### **8.3 Individual opinion of the Directors**

This report has been unanimously approved by the attendants, with none of the members of the Board of Directors having expressed a dissenting view in respect to the one collectively adopted by the Board of Directors throughout this report.

## **9. INTENTION TO ACCEPT OR NOT THE AMENDED OFFER IN RELATION TO THE TREASURY SHARES**

As of the date of this report, the remarks included in Section 9 of the Initial Offer Report in relation to the Company's intention to accept the Offer in respect to the treasury shares continue to be valid, confirming that, as of this date, the necessary actions for the aforementioned acceptance have already been taken.

## **10. INTENTION OF THE DIRECTORS TO ACCEPT OR NOT THE AMENDED OFFER**

As of the date of this report, the remarks included in Section 10 of the Initial Offer Report in relation to the intention of each director holding shares of the Company on whether to accept or not the Offer continue to be valid –and, if necessary, are simultaneously reiterated herein–. Also, those directors that have expressed their intention to accept the Offer and, therefore, to transfer their shares, reiterate their intention to resign from their current positions once the result of the Offer is known and in order to facilitate the immediate incorporation of the directors proposed by the Bidder to the Board of Directors.

## **11. INFORMATION TO THE EMPLOYEES**

It is hereby noted that, pursuant to article 25.2 of Royal Decree 1066/2007, DIA's management team informed the employee's representatives about the Amended Offer as soon as it was made public, and delivered the relevant Supplement as soon as it was published. According to that same legal provision, it is hereby informed that a copy of this report will be made available to all employees.

As of the date of this report the Company has not received from the employee's representatives any report or opinion regarding the impact of the Amended Offer over the employment.

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Madrid, 7 May 2019