

Compañía de Distribución Integral Logista Holdings, S.A.

Financial Statements for the period of
four months and 18 days ended 30
September 2014 and Directors' Report,
together with Independent Auditors'
Report

*Translation of a report originally issued in Spanish
based on our work performed in accordance with the
audit regulations in force in Spain and of financial
statements originally issued in Spanish and prepared in
accordance with the regulatory financial reporting
framework applicable to the Company (see Notes 2
and 13). In the event of a discrepancy, the Spanish-
language version prevails.*

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Compañía de Distribución Integral Logista Holdings, S.A.,
at the request of the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of Compañía de Distribución Integral Logista Holdings, S.A. ("the Company"), which comprise the balance sheet at 30 September 2014 and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the period of four months and 18 days then ended ("2014").

The Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation of the accompanying financial statements so that they present fairly the equity, financial position and results of operations of the Company in accordance with the regulatory financial reporting framework applicable to the Company in Spain (identified in Note 2.1 to the accompanying financial statements) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the directors' preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of Compañía de Distribución Integral Logista Holdings, S.A. at 30 September 2014, and the results of its operations and its cash flows for the period of four months and 18 days then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Emphasis of matter

Without qualifying our audit opinion, we draw attention to Note 1 to the accompanying financial statements, which indicates that the Company was incorporated on 13 May 2014 and, therefore, comparative information is not included in the financial statements for 2014.

Report on Other Legal and Regulatory Requirements

The accompanying directors' report for 2014 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2014. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692



José Luis Aller

20 November 2014

Compañía de Distribución Integral Logista Holdings, S.A.

**Financial Statements for the year ended
30 September 2014 and Directors'
Report**

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

BALANCE SHEET AT 30 SEPTEMBER 2014
(Thousands of Euros)

ASSETS	Notes	30-09-2014 (*)	EQUITY AND LIABILITIES	Notes	30-09-2014 (*)
NON-CURRENT ASSETS:					
Non-current investments in Group companies and associates- Equity instruments	5.1	968,638	EQUITY:	6	968,098
		968,638	SHAREHOLDERS' EQUITY:		968,098
			Share capital		26,550
			Registered share capital		26,550
			Share premium		942,148
			Other reserves		(176)
			Loss for the period		(424)
CURRENT ASSETS:			CURRENT LIABILITIES:		
Current investments in Group companies and associates- Cash and cash equivalents- Cash	9	264	Payables to Group companies	9	804
		259	Trade and other payables-		623
		5	Payable to suppliers		181
		5	Other debts with public authorities		97
TOTAL ASSETS		968,902	TOTAL EQUITY AND LIABILITIES		968,902

The accompanying Notes 1 to 13 are an integral part of the balance sheet at 30 September 2014.

(*) It relates to a period of four months and 18 days

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

INCOME STATEMENT FOR THE YEAR ENDED

30 SEPTEMBER 2014

(Thousands of Euros)

	Notes	2014 (*)
Staff costs	8.1	(231)
Wages, salaries and similar expenses		(231)
Other Results		(371)
PROFIT FROM OPERATIONS		(602)
Finance costs-		(5)
On debts to Group companies and associates	9	(5)
FINANCIAL PROFIT		(5)
PROFIT BEFORE TAX		(607)
Income tax	7.3 and 7.4	183
PROFIT FOR THE YEAR		(424)

The accompanying Notes 1 to 13 are an integral part of the 2014 income statement.

(*) It relates to a period of four months and 18 days

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

	2014 (*)
PROFIT PER INCOME STATEMENT (I)	(424)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	-
TOTAL TRANSFERS TO PROFIT OR LOSS (III)	-
TOTAL INGRESOS Y GASTOS RECONOCIDOS (I+II+III)	(424)

The accompanying Notes 1 to 13 are an integral part of the 2014 statement of recognised income and expense.

(*) It relates to a period of four months and 18 days

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED

30 SEPTEMBER 2014

B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Loss for the Period	Total
BALANCE AT 13-05-2014 (incorporation date)	60	-	-	-	60
Total recognised income and expense	-	-	-	(424)	(424)
Transactions with shareholders:					
- Capital increase (Notes 6.1 y 6.4)	26,490	942,148	(176)	-	968,462
BALANCE AT 30-09-2014 (*)	26,550	942,148	(176)	(424)	968,098

The accompanying Notes 1 to 13 are an integral part of the 2014 statement of changes in total equity.

(*) It relates to a period of four months and 18 days

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 13). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER 2014

(Thousands of Euros)

	Notes	2014 (*)
CASH FLOWS FROM OPERATING ACTIVITIES (I):		(678)
Profit for the year before tax		(607)
Adjustments for		(246)
Finance costs	9	5
Expenses recognised directly in equity	6.4 and 7.2	(251)
Changes in working capital		181
Trade and other payables		97
Other current liabilities	7	84
Other cash flows from operating activities		(5)
Interest paid		(5)
CASH FLOWS FROM FINANCING ACTIVITIES (II):		683
Proceeds and payments relating to equity instruments	6	60
Company's incorporation		60
Proceeds and payments relating to financial liability instruments	9	623
Proceeds from issue of borrowings from Group companies and associates		623
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II)		5
Cash and cash equivalents at beginning of year		-
Cash and cash equivalents at end of year		5

The accompanying Notes 1 to 13 are an integral part of the 2014 statement of cash flows.

(*) It relates to a period of four months and 18 days

Compañía de Distribución Integral Logista Holdings, S.A.

Notes to the Financial Statements for the
year ended 30 September 2014

1. Company activities

The Parent Company, Compañía de Distribución Integral Logista Holdings, S.A., was incorporated as a sociedad anónima (Spanish public limited company) on 13 May 2014, with its sole shareholder being Altadis S.A.U., a company belonging to the Imperial Tobacco Group PLC. On the same date the Company was registered at the Mercantile Registry as a sole-shareholder company.

The Company's registered office is at Polígono Industrial Polvoranca, calle Trigo, número 39, Leganés (Madrid).

On 4 June 2014, the Company effected a capital increase with all shares subscribed by Altadis S.A.U. through non-monetary contribution of shares representing 100% of the share capital of Compañía de Distribución Integral Logista, S.A.U., until that time the parent company of the Logista Group, from then onwards, the Company became the Parent of the aforementioned Group.

The activity performed by the Company since its incorporation has been that of a holding company. The company is the Parent of a distributor and logistics operator Group, which provides various distribution channels with a wide range of value added products and services, including tobacco and tobacco by-products, convenience goods, electronic documents and products (such as mobile phone and travel card top-ups), drugs, books, publications and lottery tickets. The Group provides these services through a complete infrastructure network which spans the whole value chain, from picking to POS delivery.

The Company, as parent of a group of subsidiaries, prepares consolidated financial statements separately in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The consolidated financial statements of Logista Group for 2014 were formally prepared by its directors at the Board of Directors meeting held on 19 November 2014.

In the year ended 30 September 2014, the consolidated financial statements, in comparison with these separate financial statements, reflect an increase in assets -EUR 5,519,392 thousand-, revenue -EUR 9,506,567 thousand- and results of EUR 102,771 thousand, and a decrease in reserves of EUR 525,670 thousand. This effect also includes the impact of applying the EU-IFRSs on the consolidated financial statements.

The offering of shares in the Parent Company comes to an end on 14 July 2014, and its shares are currently listed for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (see Note 6).

In turn, Altadis, S.A.U., the Company's parent, belongs to the Imperial Tobacco Group PLC, which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Tobacco Group PLC for 2013 were formally prepared by its directors at the Board of Directors meeting held on 5th November 2013.

The year ended 30 September 2014 ("2014") comprises the operations performed by the Company from its incorporation up to 30 September 2014.

2. Basis of presentation of the financial statements

2.1. Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

2.2. Fair presentation

The financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for the corresponding period. These financial statements, which were formally prepared by the Company's Directors, will be submitted for approval by the Shareholders, and it is considered that they will be approved without any changes.

2.3. Accounting principles applied

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon.

2.4. Key issues in relation to the measurement and estimation of uncertainty

In preparing the accompanying financial statements estimates were made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The calculation of allowances for financial assets (véase Nota 4.1).

Although these estimates were based on the best information available at the close of FY 2014, it is possible that future events may require these to be raised or lowered in the coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.5. Comparative information

The present financial statements do not include information relating to 2013 as the Company was incorporated on 13 May 2014.

2.6. Grouping of items

Certain items in the interim balance sheet are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

2.7. Materiality

In preparing these financial statements the Company omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the conceptual framework applicable to the Company.

3. Allocation of loss of the company

The Board of Directors has proposed that the Company's loss of EUR 424 thousand for 2014 be allocated to "Prior Years' Losses" for offset in future years.

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2014, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1. Financial Instruments

4.1.1. Financial Assets

Equity investments in Group companies, jointly controlled entities and associates

Group companies are deemed to be those related to the Company as a result of a relationship of control.

These investments are measured at cost or contribution value net, where appropriate, of any accumulated impairment losses. The method used to determine the value of the shares received through the non-monetary contribution made by Altadis, S.A.U. was to maintain the carrying amount of the contributed shares in the separate financial statements of the contributing company at the date of contribution.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the corresponding write-down is recognised through the income statement.

The recoverable amount of each cash-generating unit is the higher of value in use and the net selling price of the assets associated with the cash-generating unit. Value in use is calculated on the basis of the estimated future cash flows, discounted using a pre-tax discount rate that reflects market assessments of the time value of money and the risks specific to the business.

At 30th September 2014, the Company's directors had not tested for impairment the ownership interest in Compañía de Distribución Integral Logista, S.A.U. since it arose from the capital increase performed through a non-monetary contribution on 4th June 2014, for which a valuation report, prepared by an independent expert appointed by the Mercantile Registry was issued, which certified that the fair value of the contributed shares was higher than the carrying amount assigned in the capital increase, pursuant to the Spanish Limited Liability Companies Law and Mercantile Registry Regulations (see Note 6.1). In addition, subsequent to the aforementioned contribution, no indication of impairment was identified.

Loans and receivables

The loans granted are measured at their amortised cost, which is understood to be the initial value plus accrued interest and repayment premiums based on the effective interest rate, minus the principal and interest repayments, while also considering possible reductions due to impairment or uncollectibility.

Cash and cash equivalents

Cash includes both cash and demand deposits. The other cash equivalents are short-term investments with a maturity of under three months, which are not exposed to any significant risk of changes in their value.

The Company derecognises a financial asset when it matures and collection is made or when the rights to the future cash flows have been transferred and substantially all the risks and rewards of ownership of the financial asset have been transferred.

4.1.2. Financial liabilities

Trade payables, loans received and other accounts payable are initially recognised at fair value, which generally coincides with their nominal value, reduced by transaction costs, and are subsequently measured at amortised cost.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

4.1.3. Equity instruments

Capital instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

4.2. Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

4.3. Income tax

Tax expense (or tax income) comprises current tax expense (or current tax income) and deferred tax expense (or deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

In general, deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

The Parent files consolidated income tax returns in Spain as part of the consolidated tax group the ultimate parent of which is Imperial Tobacco España, S.L.U.

4.4. Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

4.5. Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

4.6. Current and Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period, held-for-trading financial assets, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, held-for-trading financial liabilities and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

5. Financial assets

5.1. Non-current investments in Group companies and associates

The detail of "Non-Current Investments in Group companies and associates" at September, 30th 2014 is as follows:

Description	Thousands of euros
Equity instruments	968,638
Total	968,638

On 4 June 2014, the sole shareholder, Altadis, S.A.U., increased capital by means of a non-monetary contribution of all of the shares of Compañía de Distribución Integral Logista, S.A.U. (see Note 1). The method used to determine the aforementioned contribution was to maintain the carrying amount of the shares of Compañía de Distribución Integral Logista, S.A.U. in the separate financial statements of Altadis, S.A.U. at the date of

contribution, as at that date there were no consolidated financial statements prepared by an Imperial Tobacco Group PLC company at a higher consolidation level in Spain.

The most significant information in relation to Group company at September, 30th 2014, is as follows:

Company	Address	Direct % of ownership	Thousands of Euro					Carrying amount
			Data on the companies				Total Equity	
			Share capital	Profit for the year		Reserves and others		Cost
Operating profit	Profit							
Compañía de Distribución Integral Logista, S.A.U.(*)	C/ Trigo, 39. Poligono Industrial Polvoranca. Leganés	100	26,550	60,323	81,064	148,324	255,938	968,638

(*)Compañía de Distribución Integral Logista, S.A.U. is the head of a Group of subsidiaries which, until the contribution of its shares to the Company (see Notes 1 and 6.1), was the former Logista Group.

5.2. Information on the nature and level of risk of financial instruments

The management of the risks to which the Company is exposed in the course of its business activities constitutes one of the basic pillars of its activities aimed at preserving the value of its assets and its shareholder's investment.

The Company's financial risk management is centralised in Logista Group's Finance Division. This Division has established the mechanisms required to control based on the structure and financial position of the Company and on the economic variables of the business- exposure to interest rate and exchange rate fluctuations and credit and liquidity risk.

The main risks and uncertainties faced by the Company derive mainly from the possible regulatory changes in the industries in which it operates, the usual operational risks arising in the ordinary course of business and counterparty risk.

a) Credit risk:

The Company's main financial assets are its accounts receivable held with Group companies, cash and the ownership interest in Compañía de Distribución Integral Logista, S.A.U. In general, the Company holds its cash and cash equivalents at banks with high credit ratings.

b) Liquidity risk:

The Company had a working capital deficiency amounting to EUR 540 thousand.

The Company, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its balance sheet, together with the credit and financing facilities obtained through the cash assignment agreement entered into with Imperial Tobacco Enterprise Finance Limited PLC., an entity belonging to the Imperial Tobacco Group, plc. (see Note 9)

c) Market risk (including interest rate, foreign currency and other price risks):

In relation to its cash and cash equivalents the Company is exposed to interest rate fluctuations that could have an effect on its results and cash flows, although due to the Company's lack of bank borrowings, management considers that this impact would not be material in any event.

The level of exposure of the equity and income statement to the effects of future changes in prevailing exchange rates is not significant.

The Company does not have any direct or indirect significant investments in foreign entities that operate in currencies other than the euro and does not perform significant transactions in countries with currencies other than the euro.

6. Equity

6.1. Share Capital

At 30 September 2014, the Company's share capital amounted to EUR 26,550 thousand and was represented by 132,750,000 fully subscribed and paid shares of EUR 0.20 par value each, all of which are of the same class.

As indicated in Note 1, the Company was incorporated on 13 May 2014, with a share capital of EUR 60 thousand, divided into 300,000 shares of EUR 0.20 par value each, all of which are of the same class and fully subscribed

and paid in cash by its Sole Shareholder, Altadis, S.A.U. In accordance with Article 16 of the Consolidated Spanish Capital Companies Law, the Company registered its sole-shareholder status on the same date in the Mercantile Registry.

On 4 June 2014, Altadis, S.A.U. approved an increase in the Company's share capital of EUR 26,490 thousand, through the issuance of 132,450,000 new shares of EUR 0.2 par value each, together with a total share premium of EUR 942,148 thousand. The shares issued were of the same class as the outstanding shares and were fully subscribed and paid by Altadis, S.A.U. through the contribution to the Company of 44,250,000 registered shares representing all of the share capital of Compañía de Distribución Integral Logista, S.A.U. For these purposes, it should be noted that the aforementioned non-monetary contribution was subject to the required assessment by an independent expert appointed by the Mercantile Registry, pursuant to the Spanish Capital Companies Law and the Mercantile Registry Regulations.

The offering of shares in the Company came to an end on 14 July 2014, and its shares are currently listed for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The only shareholder with an ownership interest of 10% or more in the Company's share capital at 30 September 2014 was Altadis, S.A.U., with an ownership interest of 70%.

At 30 September 2014, all shares of the Company have the same voting and dividend rights.

6.2. Share Premium

The Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase the capital of the entities at which it is recognised and does not establish any specific restrictions as to its use.

6.3. Legal reserve

Under the Spanish Capital Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At 30 September 2014, the legal reserve has yet to reach the legally stipulated minimum.

6.4. Other reserves

The capital increase expenses incurred by the Company in the transaction described under "Share capital", which were taken to reserves, amount to EUR 176 thousand, net of the related tax effect.

7. Administraciones Públicas y Situación fiscal

As indicated in Note 4.3, the Company files consolidated income tax returns as part of a consolidated tax subgroup, of which Compañía de Distribución Integral Logista, S.A.U. is the head and responsible for its obligations and, accordingly, the balance receivable arising from the income tax settlement for 2014 is recognised under "Current Investments in Group Companies and Associates" in the balance sheet at 30 September 2014 (see Note 9).

7.1 *Saldos corrientes con las Administraciones Públicas*

The detail of the current tax receivables at September 30 2014 is as follows:

Description	Thousands of Euros
Withholdings taxes	84
Total	84

7.2 *Reconciliation of the accounting profit to the taxable profit*

The reconciliation of the accounting profit to the taxable profit for income tax purposes is as follows:

	Thousands of Euros	
	Increase	Amount
Accounting profit before taxes		(607)
Permanent differences:		
Others	(3)	(3)
Capital increase expenses (Nota 6.4)	(251)	(251)
Taxable profit		(861)
Tax charge (30% of taxable profit)		(259)
Tax refundable (Note 9)		(259)

7.3 Reconciliation of accounting profit to the income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of Euros
	2014
Accounting profit for the year before tax	(607)
Permanent differences	(254)
Adjusted taxable loss	(861)
Tax charge (30% of taxable loss)	(259)
Tax income recognised in equity	76
Income tax profit	(183)

7.4 Breakdown of income tax profit

El desglose del gasto por impuesto sobre sociedades es el siguiente:

	Thousands of Euros
	2014
Current tax	(183)
Deferred tax	-
Income tax profit	(183)

7.5. Tax credit carryforwards

At 30 September 2014, the Company did not have any tax credit carryforwards.

7.6 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. Given that the Company was incorporated on 13 May 2014, 2014 is the only year open for review for income tax and other applicable taxes.

The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, such liabilities as might arise would not have a material effect on the accompanying financial statements.

8. Income and expenses

8.1 Staff costs

The balance of "Staff Costs" in the income statement for 2014 includes the expenses incurred directly by the Company in respect of remuneration of the Board of Directors.

At 30 September 2014, the Company did not have any employees.

Remuneration of senior executives

As indicated in Notes 1 and 6.1, in the context of the offering of shares completed on 14 July 2014, Altadis, S.A.U. made a non-monetary contribution of the shares of Compañía de Distribución Integral Logista, S.A.U. to the Company by subscribing in full the capital increase performed by the Company. As a result, on 4 June 2014 the Company became the Parent of the Logista Group.

The functions of senior management are discharged by the members of the Logista Group's Management Committee. The remuneration earned in 2014 by the members of the Logista Group's Management Committee (excluding the executive directors), which is recognised in the financial statements of Compañía de Distribución Integral Logista, S.A.U., amounted to EUR 5,136 thousand.

The period contributions to the pension plans for members of the aforementioned Management Committee amounted to EUR 64 thousand at 30 September 2014.

8.2 Other disclosures

In 2014 the fees for financial audit and other services provided by the Company's financial statements auditor, Deloitte, S.L., or by a company related to such auditor as a result of a relationship of control, common ownership or common management, amounts to 96 thousands of euros.

9. Balances and transactions with related parties

On 4 June 2014, the Company arranged a framework agreement with its ultimate shareholder, Imperial Tobacco Group PLC., which governs the dealings between both parties, in accordance with Recommendation 2 of the Unified Code of Good Governance. This agreement will remain in force until both parties agree to its termination, or up to the time when the interest of Imperial Tobacco Group plc. in the Company's share capital becomes lower than 50%. In addition, the agreement provides for the possibility of Imperial Tobacco Group PLC. terminating it three years after the Company's shares are admitted for trading.

As of 12 June 2014, Imperial Tobacco Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A.U., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a new mutual agreement for a five-year credit line (automatically renewable for one year, unless either of the parties sends a notice opposing such renewal at least one year prior to maturity), with a maximum draw down limit of EUR 2,000 million.

The purpose of this agreement is to govern the terms and conditions under which Logista will lend, on a daily basis, its cash surpluses to Imperial Tobacco Enterprise Finance Limited for the purpose of optimising its cash flow, and the loans from Imperial Tobacco Enterprise Finance Limited to Compañía de Distribución Integral Logista Holdings, S.A., Compañía de Distribución Integral Logista, S.A.U. y Logista France, S.A.S. in order for the latter to be able to meet its cash needs arising from its operations.

Under this agreement, all of the funds generated by the Logista Group are concentrated in Spain on a daily basis in order to be subsequently transferred to Imperial Tobacco Enterprise Finance Limited through Compañía de Distribución Integral Logista, S.A.U.

The daily balance of this internal current account earns interest at the European Central Bank interest rate, plus a spread of 0.75%. Interest is calculated on a daily basis, based on 360 days, and is capitalised every quarter.

The agreement contains a clause providing for its early termination in the event of a change of control if the interest of Imperial Tobacco Group Plc in the Logista Group becomes lower than 50%.

Also, Compañía de Distribución Integral Logista, S.A.U. is the head of and responsible for the obligations of the consolidated income tax subgroup to which the Company belongs, which in turn forms part of the consolidated income tax group the head of which is Imperial Tobacco España, S.L.U. (see Note 4.3). Accordingly, the balance receivable from Group companies that the Company recorded in its balance sheet at 30 September 2014 represents the amount receivable from Compañía de Distribución Integral Logista, S.A.U. for the income tax settlement for 2014 (see Note 7.2).

Remuneration of the Board of Directors

The remuneration received in all connections by the members of the Board of Directors of Compañía de Distribución Integral Logista, S.A.U. from 1 October 2013 to 3 June 2014 and by the members of the Company's Board of Directors from 4 June 2014 to 30 September 2014 (see Note 8.1) in their capacity as directors or members of the Board's standing committees, including remuneration received by directors who are also executives, amounts to EUR 2,929 thousand.

In addition, corporate contributions to pension plan for 2014 corresponding to executive directors amounted to EUR 11 thousand.

In 2014, the Company did not carry out with its directors any transactions not relating to its ordinary business operations or transactions not carried out on an arm's length basis.

No obligations to the members of the Board of Directors have been acquired relating to life insurance, pension plans or similar items for the discharge of their duties, excluding EUR 4 thousand contributed to life insurance premiums corresponding to the chief executive officer.

The Board's composition is nine male directors and one female.

Incentives plans

On 4 June 2014, the Parent's Board of Directors approved the structure of the "2014 Long-Term Incentive Plan" and "2014 Long-Term Especial Incentives Plan", with remuneration accrued from 1 October 2014 and payable at the end of each block into which the plan is divided.

The characteristics of these plans are similar to previous plans, except that they are settled in shares of the Parent and are quantified on the basis of the level of total return to the shareholders and profitability compared with other companies, and of certain internal operational or financial criteria, related to the extent to which certain personal and corporate objectives are met. The list of plan beneficiaries had not yet been defined at the date of formal preparation of these financial statements.

Detail of the investments in companies engaged in similar activities and of the similar activities carried on by the directors, as independent professionals or as employees of the Parent

Pursuant to Article 229 of the Spanish Capital Companies Law, in order to reinforce the transparency of corporations, following is a detail of the companies engaged in an activity that is identical, similar or complementary to the activity that constitutes the company object of Compañía de Distribución Integral Logista Holdings, S.A., in which the members of the Board of Directors, or own or have owned equity interests in 2014, and of the functions, if any, that they discharge thereat:

Owner	Investee	Line of Business	Ownership Interest	Functions
Mr. Luis Egido Gálvez	Imperial Tobacco Group	Tobacco manufacture	56,427 shares	-
Mr. Adam Britner	Imperial Tobacco Group	Tobacco manufacture	12,500 shares	Head of Business Development
Mr. Nicholas James Keveth	Imperial Tobacco Group	Tobacco manufacture	19,145 shares	Director of Finance and Planning
Mr. David Resnekov	Imperial Tobacco Group	Tobacco manufacture	Less than 0.01%	Group Financial Controller
Mr. John Matthew Downing	Imperial Tobacco Group	Tobacco manufacture	Less than 0.01%	Company Secretary

Also, pursuant to the aforementioned law, set forth below are the activities performed by the various members of the Board of Directors in 2014, which are identical, similar or complementary to the activities that constitute the company object of Compañía de Distribución Integral Logista Holdings, S.A.:

Name	Activity Performed	Type of Arrangement under which the Activity is Performed	Company through which the Activity is Performed	Position hold of Function Discharged at the Company Concerned
Mr. Gregorio Marañón y Bertrán de Lis	Tobacco manufacture	Employee	Altadis, S.A.U.	Chairman of the Board (until June 4, 2014)
Mr. Luis Egido Gálvez	Distribution	Employee	Compañía de Distribución Integral Logista, S.A.U.	Chairman of the Board
	Transport	Employee	Dronas 2002, S.L.U.	Chairman of the Board
	Distribution	Employee	Logista Italia, S.p.A.	Chairman of the Board
	Distribution	Employee	Logista Portugal (Sucursal)	Chairman of the Board
	Financial Institution	Employee	Banca ITB	Legal Representative (until September 23, 2014)
Mr. Rafael de Juan López	Distribution	Employee	Compañía de Distribución Integral Logista, S.A.U.	Chairman of the Board
	Transport	Employee	Dronas 2002, S.L.U.	Chairman of the Board
	Distribution	Employee	Logista Pharma, S.A.U.	Chairman of the Board
	Distribution	Employee	Logista Italia, S.p.A.	Chairman of the Board
	Distribution	Employee	Compañía de Distribución Integral Logista Publicaciones, S.L.U.	Chairman
Mr. David Resnekov	Tobacco manufacture	Employee	Imperial Tobacco Group	Group Financial Controller
Mr. Eduardo Zaplana Hernández-Soro	Telecommunications	Employee	Tefónica, S.A.	President's counsellor

Composition of the Logista Group

As indicated in Note 1, the Company is the parent of the Logista Group. The Group is organised as detailed in Appendix I.

10. Guarantee commitments to third parties and other contingent liabilities

The Company does not have guarantee commitments to third parties at 30 September 2014.

11. Disclosures on the payment periods to suppliers. Additional Provision Three "Disclosure obligation" provided for in Law 15/2010, of 5 July

The detail of the disclosures required under Additional Provision Three of Law 15/2010, of 5 July, is as follows:

Thousands of Euros	Amounts Paid and Payable at Year-End	
	2014	
	Amount	%
Paid within the maximum payment period	525	100%
Remainder	-	-
Total payments made in the year	525	100%
Payables at year-end past due by more than the maximum payment period	-	

The figures shown in the foregoing table relate to suppliers of goods and services and, therefore, they include the figures relating to "Payable to Suppliers" and "Sundry Accounts Payable" under current liabilities in the balance sheet.

The weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers past due by more than the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period.

The maximum payment period applicable to the Company in 2014 under Law 3/2004, of 29 December, on combating late payment in commercial transactions, was 60 days. This Law was amended by Law 11/2013, of 26 July, which, from the date it came into force, provides for a maximum period of 30 days unless the parties have entered into an agreement for a maximum period of 60 days (2013: 60 days).

12. Information on the environment

In matters concerning the environment, the Company complies strictly with all the requirements of applicable legislation and also looks for the best ways of reducing its environmental impact (waste reduction awareness campaigns and improvement of waste management; policies aimed at reducing atmospheric emissions and the use of water, electricity and paper; reduction of the use of containers and packaging by improving manufacturing processes, etc.).

During the year ended at 30 September 2014 the Company has not incurred in any expenses or performed any investment to protect and improve the environment.

13. Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

APPENDIX I

Companies comprised within Logista Group

Company	Audit Firm	Registered Office
Compañía de Distribución Integral Logista, S.A.U. Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribérica, S.A.U.	No auditada	C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid)
Publicaciones y Libros, S.A.	Deloitte	C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribuidora del Noroeste, S.L.	BDO	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.U.	No auditada	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L.	BDO	Polígono Industrial Zal, Carretera de la Esclusa s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A.	No auditada	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A.	No auditada	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A.	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia
Cyberpoint, S.L.U.	No auditada	C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribuidora del Este, S.A.U.	BDO	Calle Saturno, 11. Alicante
S.A. Distribuidora de Ediciones	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
La Mancha 2000, S.A.U.	No auditada	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara
Midsid - Sociedade Portuguesa de Distribuição, S.A.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Libros, S.L.	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara
Avanza Libros, S.L.	No auditada	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara
Logesta Gestión de Transporte, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.	Deloitte	Via in Arcione 98. Roma
Transportes Basegar, S.A.	Deloitte	C/ Chavarri, S/N, Edificio Reimasa. Sestao (Vizcaya)
Logesta Lusa Lda.	No auditada	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o.	No auditada	Flory nr 9, lok 6. kod-00-586 Warszawa--(Polonia)
Logesta Deutschland GmbH	No auditada	Pilotystr 4. 80538- München-(Alemania)
Logesta France, S.A.R.L.	No auditada	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)
Dronas 2002, S.L.U.	Deloitte	Pol. Industrial Nordeste, c/ Energia 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal. C/ Enterreríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U.	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Logilenia Distribuidora Farmacéutica, S.L.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A.	Deloitte	Via in Arcione, 98. Roma (Italia)
Terzia, S.p.A.	Deloitte	Via in Arcione, 98. Roma (Italia)
Logista Transportes, Transitários e Pharma, Lda.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp.z.o.o.	Deloitte	Al. Jerozolimskie 133. Warszawa. Polonia
Logista France, S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Supergroup S.A.S.	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes
Société Allumetière Française, S.A.S.	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes
Strator, S.A.S.	Deloitte	Parc d'activité de la Brèche, 9 rue Olof Palme, Bâtiment Euclide, 94000 Créteil
Dirna Distribución Integral, S.L.	Deloitte Patricia Moreira, Valente & Asociados SROC	Polígono Industrial Los Olivos. C/Confianza, 1. Getafe. Madrid
Logesta Maroc, S.A.	No auditada	87 Rue Ahmed El Casablanca (Marruecos)

Compañía de Distribución Integral Logista Holdings, S.A.

Directors Report for
financial year
ended on September 30th 2014

1. Company performance and position in 2014

Compañía de Distribución Integral Logista Holdings, S.A. (the "Company") was incorporated on 13 May 2014 with a share capital of EUR 60,000, divided into 300,000 shares of EUR 0.2 par value each, which was paid by Altadis, S.A.U. ("Altadis"), as sole shareholder, by means of monetary contributions.

On 4 June 2014, it was resolved to increase the Company's share capital through a non-monetary contribution of EUR 26.49 million by means of the issuance of 132,450,000 shares of EUR 0.2 par value each, of the same class and series as the Company's outstanding shares, which were fully subscribed and paid by Altadis. Altadis also approved a share premium totalling EUR 942,147,503.75 for the new shares that were issued. The sum of the capital increase and the share premium corresponds to the carrying amount of the contribution made by Altadis to the Company of 44.25 million shares of EUR 0.6 par value each representing all the share capital of Compañía de Distribución Integral Logista, S.A.U. As a result of this operation, the Company became the new Parent of the Logista Group.

As a holding company, the Company does not perform operations and carries on its entire activity through its operating company, Compañía de Distribución Integral Logista S.A.U., and the other Group companies.

The Logista Group is the leading integrated distributor in southern Europe of high-value-added products and services, serving around 300,000 delivery points in capillary retail networks in Spain, France, Italy and Portugal, thereby providing the best and quickest access to the market for all manner of tobacco by-products, convenience goods, electronic top-up cards, drugs, books, publications and lottery tickets.

On 14 July 2014, the Company's shares were admitted for trading on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges following the offering of 30% of its share capital by Altadis S.A.U. to institutional investors.

From 14 July 2014 to year-end, 30 September 2014, the market price of the Company's shares increased by 10.8% with respect to the placement price in the public offering (EUR 13 per share), compared to an 2.07% appreciation of the IBEX 35 in the same period.

Risk exposure

The main risks and uncertainties that the Company faces arise due to possible regulatory changes in the industries in which the Group operates, and the normal operating risks it faces in the ordinary course of its business, which are insured externally, or counterparty risks.

The Company may also be affected by risks arising from an adverse economic climate at international level and their possible impact on consumption in the markets and industries in which the Group is present.

The Group meets all the requirements and has all the licences, permits, etc. required to operate in the various markets and sectors in which it carries on its activity, and has established through its organisational structure the appropriate procedures and controls to ensure the identification, prevention and mitigation of the risks arising from changes in the regulatory framework and, also, comply with the obligations arising from the various applicable . Although this directors' report focuses on highlighting the systems of financial risk control and management, section E of the Group's annual corporate governance report provides a more detailed description of the Group's systems of risk control and management.

The Company's main financial assets are its accounts receivable held with Group companies, cash and the ownership interest in Compañía de Distribución Integral Logista, S.A.U., which represent the Group's maximum exposure to credit risk.

The Logista Group currently has the following units or committees that oversee the effectiveness of the controls over the established risks:

- Security Committee: Its role is to prevent and protect against the risks and threats to the Company against assets and staff of Logista or any of its companies.
- Environment and Quality Committee: This committee establishes the company policies of the various business units of the Logista Group with respect to their commitment to the environment and quality, fostering the implementation of and compliance with company principles through the issue of internal corporate regulations.
- Internal Control Committee: Headed by the Group's finance management and reporting to the Audit and Control Committee of the Company's Board of Directors, this committee has a two-fold purpose: i) to ensure the ongoing implementation and execution of the Group's internal control system in all countries and business units, and ii) to oversee the effective prevention of crime risks in companies belonging to the Logista Group in Spain.

Similarly, there is an "Organismo di Vigilanza" in Italy, established in accordance with Italian criminal legislation, to prevent crimes being committed in Group companies in the aforementioned country.

- Administration and Internal Control Department - Insurance Area: The Administration Department is charged with analysing the risks of accident that might affect the Logista Group, both with respect to its assets and its activity and, on the basis of these risks, takes out the external insurance policies it deems to be appropriate. It is also charged with protecting the Group's assets and guaranteeing the reliability of the financial information.
- Cash Department – Area of Financial and Credit Risks: Its functions are to limit and control those financial risks that arise from commercial relationships with third parties, establishing, as appropriate, the related credit limits and the doubtful debt allowance policy.
- Internal Audit Department: The aim of the Logista Group's Internal Audit Department is to support the Board's Audit and Control Committee and the Group's Internal Control Committee in the performance of their functions and responsibilities, providing them with objective analyses, assessments and recommendations in accordance with the established work plan. Specifically, the main activities to be performed are as follows:
 - To monitor the work of the external auditors, including planning, quality, independence and business terms.
 - To cooperate in the review of the Group's financial information, particularly in the unaudited reporting periods.
 - To guarantee an appropriate system for the assessment of internal control and information systems, identifying potential improvements thereto and fostering its implementation.
 - To identify risks and assess the associated controls, mainly through the performance of the annual audit plan.
 - To provide the required technical support to Group management in accounting and financial areas.

The Company's credit risk is attributable mainly to Group trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by management based on prior experience and its assessment of the current economic environment. The Group's credit risk is not particularly high, as the client portfolio is spread over a large number of counterparties; the Group's main customers are kiosk owners and tobacconists.

The management of the risks to which the Logista Group is exposed in the course of its business activities constitutes one of the basic pillars of its actions with the aim of preserving the value of the Group's assets and, as a result, the value of the shareholders' investments. Through the Group's global risk management approach, the risk management system is structured and defined to achieve the strategic and operating objectives. The risk control system is managed and supervised by the Audit and Control Committee of the Board of Directors, who delegates such functions to the Internal Control Committee.

Also, the Group's financial management has the basic objectives of preserving the value of the Group's assets at all the business units and in all the countries in which it operates (Spain, France, Italy, Portugal and Poland, primarily) through the analysis and prevention of risks and optimising management of the main losses.

Historically, the level of default in all geographical areas in which the Group operates is very low.

With respect to the liquidity risk, the Group holds sufficient cash and cash equivalents to meet the payments arising in the normal course of its operations. Also, the Group has credit facilities available to meet any financing needs.

As regards exposure to interest rate risk, given the Group low level of financial debt, management considers that the impact that a potential increase in interest rates could have on the accompanying financial statements would not be material.

In addition, the level of exposure of equity and profit or loss to the effects of future changes in prevailing exchange rates is not material, as the Company does not perform transactions in a currency other than the euro for material amounts.

2. Significant events for the Company after the reporting period

No events significantly affecting the accompanying financial statements took place after the end of 2014.

3. Outlook for the Company

As the Company is a holding company, the Company's outlook is linked to the performance of the companies that form the Logista Group.

4. Research and development activities

The Company did not make any investments in research and development activities in 2014.

5. Treasury shares

At 30 September 2014, the Company did not hold any treasury shares.

6. Use of financial instruments

The Company does not perform transactions with financial instruments that might affect the correct measurement of the assets or liabilities recognised in the balance sheet.

7. Corporate Governance Annual Report

Included below as a Directors Report separate section.

*Free translation from a report originally issued in Spanish.
Spanish version prevails over the English version*

ANNEX I

CORPORATE GOVERNANCE ANNUAL REPORT OF LISTED PUBLIC COMPANIES

ISSUER IDENTIFICATION DETAILS

YEAR-END DATE

30/09/2014

C.I.F.

A87008579

Company Name:

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

Registered Office:

Calle Trigo 39 – Polígono Industrial Polvoranca – 28914 Leganés (Madrid)

CORPORATE GOVERNANCE ANNUAL REPORT OF LISTED PUBLIC COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Complete the following table about the share capital of the company:

Date of last amendment	Share Capital (€)	Number of shares	Number of voting rights
04 june 2014	26,550,000	132,750,000	132,750,000

Please state whether there are shares of different classes with different rights attached thereto:

Yes No

A.2 List the direct and indirect owners of significant holdings in your company at the date of the fiscal year end, excluding the directors:

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)		% on total of share capital
		Direct owner of the holding	Number of voting rights	
HSBC HOLDINGS PLC	0		5,210,303	03.92%
KAMES CAPITAL PLC	0		5,300,000	03.99%
ALTADIS SAU	92,925,001			70.00%

Indicate the most significant movements in shareholding structure that have taken place over the fiscal year:

Name (person or company) of the shareholder	Transaction date	Transaction Description
ALTADIS SAU	14/07/2014	Sale offer of 30% of the Company
HSBC HOLDINGS PLC	14/07/2014	Purchase of 3,92%
KAMES CAPITAL PLC	14/07/2014	Purchase of 3,99%

A.3 Complete the following tables on the members of the board of directors of the company, who have voting rights attached to shares in the company:

Name (person or company) of the director	Number of direct voting rights	Number of indirect voting rights		% on the total voting rights
		Direct owner of the holding	Number of voting	
GREGORIO MARAÑÓN	0		0	0
LUIS EGIDO	0		0	0
RAFAEL DE JUAN	0		0	0
EDUARDO ZAPLANA	0		0	0
STEPHANE LISSNER	0		0	0
CRISTINA GARMENDIA	0		0	0
ADAM BRITNER	0		0	0
JOHN DOWNING	0		0	0
NICK KEVETH	0		0	0
DAVID RESNEKOV	0		0	0
Total % of voting rights held by the Board of Directors				0

Complete the following tables on the members of the Board of Directors who have rights over shares in the company:

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights		% on the total of voting rights
		Direct owner of the holding	Number of voting rights	
GREGORIO MARAÑÓN	0		0	0
LUIS EGIDO	0		0	0
RAFAEL DE JUAN	0		0	0
EDUARDO ZAPLANA	0		0	0
STEPHANE LISSNER	0		0	0
CRISTINA GARMENDIA	0		0	0
ADAM BRITNER	0		0	0
JOHN DOWNING	0		0	0
NICK KEVETH	0		0	0
DAVID RESNEKOV	0		0	0

A.4 Indicate, where applicable, the family, business, contractual or corporate relationships existing between the owners of significant holdings, to the extent that they are known by the company, unless these be scarcely relevant or stem from the ordinary course of trade:

Name (person or company)	Kind of relationship	Description
The Company has not been given notice of any such relationship existing between owners of significant holdings.		

A.5 Indicate, where applicable, the business, contractual or corporate relationships existing between the owners of significant holdings and the company and/or its group, unless these be scarcely relevant or stem from the ordinary course of trade:

Name of the related person or company	Kind of relationship	Description
IMPERIAL TOBACCO GROUP PLC (ITG)	Contractual	<p>"ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12, 2014.</p> <p>ITG undertakes to maintain and respect the freedom of management and decision-making of the administrative and managerial bodies of the Company, and the neutrality principle in its commercial and services relations with third parties.</p> <p>It establishes the confidentiality of the business information of the Company and the separation of their respective IT systems.</p> <p>The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.</p>
IMPERIAL TOBACCO ENTERPRISE FINANCE LIMITED (ITG FINANCE)	Contractual	<p>"INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12, 2014</p> <p>Agreement on a revolving credit facility, for five years (with a yearly express renewal), with a maximum disposal limit of two thousand million euros.</p> <p>According to this agreement, Compañía de Distribución Integral Logista SAU (100% subsidiary of the Company) will daily lend to ITG FINANCE its cash flow excess, at the base rate of the European Central Bank, plus a margin of 0.75%. If Logista has to get into debt to meet the needs of its working capital, it can reciprocally borrow the amount from ITG FINANCE.</p>

A.6 Indicate whether the company has been informed of any parasocial agreements affecting the company pursuant to the provisions of sections 530 and 531 of the Act on Capital Companies. If so, describe them briefly and list the shareholders bound by the agreement:

Yes No

Indicate whether the company knows of the existence of concerted actions among its shareholders. If so, give a brief account thereof:

Yes No

In the event that during the year any modification or breaking of those pacts or agreements or concerted actions has occurred, indicate it expressly:

Yes No

A.7. Indicate if there is any legal or natural person who exerts control or could exert control over the company in accordance with section 4 of the Stock Exchange Act. If so, identify it/them:

Yes No

Name (person or company)
IMPERIAL TOBACCO GROUP PLC

Remarks
INDIRECT PARTICIPATION OF 70% THROUGH ALTADIS SAU

A.8. Complete the following tables on the treasury stock of the company:

At year-end closing

Number of direct shares	Number of indirect shares(*)	Total % on share capital
0	0	0

(*) Through

List the significant variations, in accordance with the provisions of *Real Decreto 1362/2007*, occurred during the fiscal year:

Communication Date	Total number of acquired direct shares	Total number of acquired indirect shares	Total % on share capital
NONE			

A.9. Give details of the conditions and term of the current mandate given by the Annual General Meeting to the Board of Directors to carry out acquisitions or transfers of the company's own shares

The General Shareholders meeting of June 4, 2014 authorise the Board of Directors to acquire Company's own shares in the following terms:

To authorize the Board of Directors so that pursuant to the provisions established in Article 146 of the Share capital Companies Act, it may acquire, at all times, shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that:

- i) the face value of the shares acquired, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., and
- ii) the acquisition, including any shares that the Company or person acting in its own name but on behalf of the Company may have acquired or previously held, does not result in the Company's net equity falling below the share capital amount, plus any restricted reserves foreseen by the regulations or the By-laws.

Furthermore, to authorize the subsidiaries so that, without prejudice of the relevant authorisation of their general shareholders meetings, pursuant to said Article 146, they may at all times acquire shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that the face value of the acquired shares, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

Said acquisitions may be carried out through a sale and purchase, swap, donation, allocation or non-recourse debt and, in general, under any other form of acquisition for consideration. In any case, the shares to be purchased will be circulating shares that are fully paid up.

The Board of Directors of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or of its subsidiaries may agree to purchase the Company's shares in one or more transactions, for a maximum price that does not exceed 20% of their listed price, and for a minimum price that is not less than the face value of 0.20 Euros per share.

This authorization is granted for a five-year term, calculated as of the date of this General Meeting.

To expressly allow, for the purposes of Article 146.1.a), last paragraph, of the Spanish Capital Companies Law, that any share acquired by COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or its subsidiaries, further to this authorization, be used or attached, in whole or in part, for its transfer, amortization or delivery to the employees of the Company, and directors and other employees of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. and its Subsidiaries Companies.

A.10. Indicate whether there is any restriction on the transferability of securities and/or any restriction on voting rights. Namely, report the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

Yes No

A.11. Indicate whether the Annual General Meeting of Shareholders has resolved the taking of anti-takeover measures in the event of a public tender offer pursuant to the provisions of Act 6/2007:

Yes No

A.12 Indicate whether the company has issued securities that are not traded on a Community regulated market.

Yes No

B. GENERAL MEETING OF SHAREHOLDERS

B.1. Indicate and, if applicable, explain whether there are differences with the minimum requirements set out in the Act on Capital Companies (ACC) in connection with the quorum required to hold a valid General Meeting of Shareholders.

Yes No

B.2. Indicate and, if applicable, explain whether there are differences with the rules provided by the Act on Capital Companies [ACC] for the passing of corporate resolutions:

Yes No

B.3. Indicate the rules applicable to amendment to the Articles of Association. Namely, report the majorities established to amend the Articles of Association, and, if any, the rules to safeguard shareholders' rights when amending such Articles.

The rules applicable to the amendments to the Company's By-Laws are the ones provided in articles 285 to 345 of the Act on Capital Companies (Royal –Law Decree of July 2, 2010)

B.4. Give the attendance figures for the general meetings held during the year to which this report refers and the previous year:

Attendance data					
Date GSM	% attendance in person	% attendance by proxy	% distance voting		Total
			Electronic Vote	Others	
04/06/2014		100			100

B.5. Indicate whether there are any by-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.

Yes No

B.6 Indicate whether it has been resolved that certain resolutions entailing a structural change of the company ("subsidiarization", trading of core operational assets, transactions equivalent to the liquidation of the company, etc.,) must be put to the approval of the general meeting, even if not expressly

Yes No

B.7. Indicate the address and means of access to the company's website, to the information on corporate governance and other information on the general meetings which must be made available to shareholders through the Company's website

The section "Shareholders and Investors", included in chapter "Corporate Governance", sub-

chapter "Annual Corporate Governance Reports", of the corporate website (<http://www.grupologista.com>), provides the most relevant information on the Company's corporate governance and general shareholders meetings.

C. ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 Maximum and minimum number of Directors provided in the Articles of Association:

Maximum Number	15
Minimum Number	10

C.1.2 Complete the following table with the members of the Board:

Name (person or company) of the Director	Representative	Office on the Board	Date of first appointment	Date of latest appointment	Election procedure
Gregorio Marañón	---	Chairman	13/05/2014	13/05/2014	GSM
Luis Egido Gálvez	---	CEO	13/05/2014	13/05/2014	GSM
Rafael de Juan López	---	Secretary Director	13/05/2014	13/05/2014	GSM
Cristina Garmendia	---	Director	04/06/2014	04/06/2014	GSM
Stéphane Lissner	---	Director	13/05/2014	13/05/2014	GSM
Eduardo Zaplana Hernández-Soro	---	Director	13/05/2014	13/05/2014	GSM
Adam Britner	---	Director	13/05/2014	13/05/2014	GSM
John Downing	---	Director	13/05/2014	13/05/2014	GSM
Nicholas Keveth	---	Director	13/05/2014	13/05/2014	GSM
David Resnekov	---	Director	13/05/2014	13/05/2014	GSM

Total number of Directors	10
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Indicate the vacancies occurred on the Board of Directors during the period:

Name (person or company) of the Director	Director category when the vacancy occurred	Removal Date
Miguel Angel Barroso Ayats	Independent	04/06/2014

C.1.3 Complete the following tables about the members of the board and their different categories:

EXECUTIVE DIRECTORS

Name (person or company) of the Director	Committee which proposed that member's appointment	Position in the organisational chart of the Company
Luis Egido Gálvez	Appointments and Remuneration	CEO
Rafael de Juan López	Appointments and Remuneration	Secretary

Total number of executive Directors	2
Total % of Board members	20%

EXTERNAL PROPRIETARY DIRECTORS

Name (person or company) of the Director	Committee which proposed that member's appointment	Name (person or company) of the significant shareholder being represented or who has proposed the appointment
Adam Britner	Appointments and Remuneration	IMPERIAL TOBACCO PLC
John Downing	Appointments and Remuneration	IMPERIAL TOBACCO PLC
Nicholas Keveth	Appointments and Remuneration	IMPERIAL TOBACCO PLC
David Resnekov	Appointments and Remuneration	IMPERIAL TOBACCO PLC

Total number of executive Directors	4
Total % of Board members	40%

EXTERNAL INDEPENDANT DIRECTORS

Name (person or company) of the Director	Profile
Cristina Garmendía Mendizábal	Partner and Founder of Ysios Capital Partners; Chairwoman of SYGNIS, a German-Spanish listed company; Founder of international advisory firm Science & Innovation Link Office (SILO); Board member of the companies Everis, Seguros Pelayo and Corporación Financiera Alba ; President of Grupo Genetrix; Advisory Board member of ISS World; Advisory Board member of Broseta Attorneys; Advisory Board member of the Professional Council of ESADE Business School; Advisory Board member of the Foundation for Women in Africa; and Advisory Board member of the NGO ONGAWA Engineering for Human Development. She is also a Board Member of the University of Sevilla, a patron of Antonio de Nebrija University and the SEPI Foundation, a Board member of the Spain-Colombia Business Partnership (AEEC) and serves as an advisor on the International Advisory Committee to the Productive Transformation Program

	<p>(PTP) for the government of Colombia. She served as Minister of Science and Innovation for the Spanish Government (2008-2011). She has a Doctoral degree in Biological Sciences, with a specialization in Genetics and her MBA from IESE Business School, University of Navarra.</p>
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<p>Stéphane Lissner</p>	<p>Currently, he is the Director of the Opéra Nationale in Paris. Prior to his present role, he served as General Manager and Artistic Director of the Teatro alla Scala in Milan; 'Directeur Délégué of the Opéra Nationale in Paris; Musical Director of the Wiener Fest Wochen in Vienna; Director of the Festival International d'Aix-en-Provence (1998-2006); Co-Director of the Théâtre des Bouffes du Nord with Peter Brook in Paris (1998-2005); Director of the Teatro de la Opera de Madrid (1995-1996); General Director of the Orchestre de Paris (1993-1995); Administrator (1983-1988) and General Manager (1988) of the Théâtre du Châtelet in Paris; Professor of Management of Cultural Institutions at the Université Paris-Dauphine (1984); Director of the Printemps du Théâtre (1984); Director of the Centre Dramatique National in Nice (1978-1983); and Secretary General of the Théâtre d'Aubervillier (1977-1978). Mr. Lissner received his baccalauréat in 1971. He was appointed an Officier de l'Ordre National du Mérite, an Ufficiale Ordine al Merito of the Italian Republic, and a Chevalier de la Légion d'Honneur.</p>
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<p>Eduardo Zaplana Hernández-Soro</p>	<p>He is currently an Advisor to the President of Telefónica, S.A. Prior to his current roles, Mr. Zaplana held various positions in the Spanish Public Administration, including Deputy for Valencia and Spokesman for the Grupo Parlamentario Popular in the House of Representatives (2004-2008); Government Spokesman Minister (2003-2004); Senator for the <i>Comunidad Valenciana</i> (2002-2004); Minister of Labor and Social Affairs of the Spanish government (2002-2004); First Deputy Chairman of the Committee of the Regions and Speaker of the Delegation of the Committee of the Regions at the Convention on the Future of Europe (2002-2003); President of the Generalitat of Valencia (1995-2002); Spokesman for the Grupo Parlamentario Popular in the Parliament of Valencia (1991-1995); Deputy in the Parliament of Valencia (1991-1995); and; Mayor of Benidorm (Alicante) (1991-1994). He also founded in 2005 and, since 2005, has served as President of Decuria Consulting, S.L. Mr. Zaplana received his Bachelor of</p>
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	Laws in 1991 from the University of Alicante.
Total number of independent directors	3
Total % of Board members	30%

Indicate whether any director considered as an independent director receives from the company or from its group any amount or benefit on any grounds other than the remuneration for his/her directorship, or maintains or has maintained over the last year, a business relationship with the company or any company in its group, either in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained any such relationships. Where applicable, include a reasoned statement from the board with the reasons why it deems that such director can perform his/her duties as an independent director.

Name of director (person or company)	Description of the relationship	Reasoned statement
NOT APPLICABLE		

OTHER EXTERNAL DIRECTORS

Name of director (person or company)	Committee which proposed that member's appointment
Gregorio Marañón y Bertrán de Lis	Appointments and Remuneration

Total number of other external Directors	1
Total % of Board members	10%

List the reasons why they cannot be considered proprietary or independent, as well as their ties, whether with the company or its management or with its shareholders

Name of director (person or company)	Reasons	Company, officer or shareholder with whom the director has ties
Gregorio Marañón	He was a Director of Altadis SAU until June 4, 2014	

Indicate the variations that, where appropriate, have occurred during the period in the category of each director:

Name of director (person or company)	Date of the variation	Previous Category	Current Category
No variation has occurred during the period			

C.1.4 Complete the following table with information about the number of female directors over the last 4 years, as well as the nature of their directorship

	Number of female directors				% of total director of each type			
	FY-t	FY t-1	FY t-2	FY t-3	FY t	FY t-1	FY t-2	FY t-3
Executive								
Proprietary								
Independent	1							
Other external								
Total:	1				10%			

C.1.5 Explain the measures, if any, that have been taken to try to include on the Board a number of female directors that would mean reaching a balanced presence of women and men.

As stated in section h) of Article 18.2 of the Board of Directors Regulations, the Nomination and Remuneration Committee shall ensure that selection processes are not implicitly biased in such a way that Directors' selection is prevented.

C.1.6 Explain the measures, if any, taken by the Nomination and Remuneration Committee to ensure that selection processes are free from any implied bias hindering the selection of female directors and that the company deliberately seeks and includes potential female candidates who meet the professional profile sought.

When despite any measures that might have been taken, the number of female directors is low or zero, explain the reasons:

Explanation of measures
N/A

C.1.7 Explain the form of representation of the board of shareholders with significant stakes:

Imperial Tobacco Group PLC is represented at the Board by four directors (Messrs. Britner, Downing, Keveth y Resnekov), in accordance with the Framework Agreement of June 12, 2014, which rules the relations between Imperial Tobacco Group and the Company.

All other shareholders with significant stake in the Company are not represented at the Board.

C.1.8. Describe, if applicable, the reasons why proprietary directors have been appointed at the behest of shareholders whose stake is less than 5% in the share capital:

NOT APPLICABLE

State whether formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal

proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied: Yes No

C.1.9 State whether any director has stood down before the expiry of his/her term of office, whether the director has given reasons to the Board and by through which channels, and in the event that he/she gave reasons in writing to the full Board, describe at least the reasons given by the director:

Director Name	Reasons
Miguel Barroso Ayats	Appointment of a female director

C.1.10 Indicate, in the event that there are any, the powers that have been delegated to the chief executive officer(s):

Name of the CEO	Description
Luis Egido Gálvez	He has been delegated all the faculties of the Board of Directors that can be delegated according to the law and the bylaws, excluding the faculties that, according to article 38 of the bylaws of the Company, require the approval of the resolution by, at least, the 70% of the members of the Board of Directors. Furthermore, the Regulation of the Board of Directors may regulate other matters that will not be delegable by the Board of Directors, as stated in article 38 of the bylaws. (see the section following C.1.14)

C.1.11 Identify, where appropriate, the members of the Board who hold the position of director or officer in other companies that are part of the group of the listed company

Name (person or company) of the director	Company name of the entity of the Group	Position
LUIS EGIDO GÁLVEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU	CEO
	LOGISTA ITALIA SpA	Director
	BANCA ITB SpA	Director
	DRONAS 2002 SLU	Director
RAFAEL DE JUAN LÓPEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU	Secretary Director
	LOGISTA ITALIA	Director
	LOGISTA PUBLICACIONES	Chairman
	DRONAS 2002	Director
	LOGISTA PHARMA	Director

C.1.12 List in detail, where appropriate, the directors of your company that are members of the Boards of Director of other companies that are listed on official stock markets in Spain that are not part of the group, whose aforementioned membership has been communicated to the company:

Name of the director (person or company)	Name of listed company	Position
GREGORIO MARAÑÓN Y BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES SA (PRISA)	DIRECTOR
	VISCOFAN	DIRECTOR (until April 2014)
CRISTINA GARMENDIA MENDIZÁBAL	CORPORACIÓN FINANCIERA ALBA	DIRECTOR
	SYGNIS	Chairwoman

C.1.13. State and, if applicable, explain whether the company has established rules regarding the number of boards on which its directors may sit:

Yes No

Explanation of the rules
Pursuant to the provisions of article 23.2, the Directors of the Company may become part at the same time, and with the limitation provided by Law, of a maximum of nine boards of directors of listed companies other than the Company.

C.1.14 State the Company's general policies and strategies over which the Board in plenary session has approval rights:

	YES	NO
The investment and financial policy	X	
The definition of the structure of the group of companies	X	
The corporate governance policy	X	
The corporate social responsibility policy	X	
The strategic or business Plan, as well as management goals and annual budgets	X	
The policy regarding compensation and assessment of performance of senior managers	X	
The enterprise risk management and control policy as well as the periodic monitoring of the internal information and control systems.	X	
The dividends policy as well as the treasury stock policy and especially the limits thereto	X	

C.1.15 Indicate the overall remuneration for the board of directors:

Remuneration of the board of directors (thousand euros)	2,929
Amount of overall remuneration corresponding to the rights accumulated by directors with respect to pensions (thousand euros)	
Overall remuneration (thousand euros)	2,929

C.1.16. Identify the senior managers who are not in turn executive directors and indicate the total remuneration accrued in their favour during the fiscal year

Name (person or company)	Position
Pascal Ageron	General Manager - Tobacco, Telecoms & Strator France
Luis Alvarez Sabugal	International Tobacco Director
Jan Babst	Corporate Director of Information Services
Laurent Bendavid	President General Manager – Logista France
Antonio García Villanueva	Corporate Resources Director
Miguel Gómez Prado	CEO - Logista Pharma
Rafael Martí Fernández	Corporate Human Resources Director
Gloria Martín Gimeno	Investors Relations and Strategic Analysis Corporate Director
Francisco Pastrana Pérez	General Manager - Tobacco and Convenience Iberia
Pablo Rebollo Pericot	General Manager - Nacex & Integra 2
Luis Rodríguez Cuberos	General Manager – Logista Italia
Manuel Suárez Noriega	Corporate Finance Director

Total remuneration senior managers (thousand euros)	5,136
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C.1.17. Identify, if appropriate, the members of the board who, in turn sit on the board of directors of companies of significant shareholders and/or in entities of their group:

Nombre o denominación social del consejero	Denominación social del accionista significativo	Cargo
John Matthew Downing	Imperial Tobacco Group Plc	Secretary
	Imperial Tobacco Finance Plc	Secretary
	Imperial Tobacco Holdings (2007) Limited	Secretary
	Imperial Tobacco Holdings Limited	Secretary
	Imperial Tobacco Limited	Secretary
	Imperial Tobacco Overseas Holdings (3) Limited	Secretary
	Attendfriend Limited	Director
	British Tobacco Company Limited	Director

	Imperial Tobacco Altadis Limited	Director
	Imperial Tobacco Capital Assets (1); Imperial Tobacco Capital Assets (2); Imperial Tobacco Capital Assets (3); Imperial Tobacco Capital Assets (4)	Director
	Imperial Tobacco Enterprise Finance Limited	Director
	Imperial Tobacco Holdings (1) Limited	Director
	ITG Brands Limited	Director
	Imperial Tobacco Initiatives	Director
	Imperial Tobacco Ireland	Director
	Imperial Tobacco Lacroix Limited	Director
	Imperial Tobacco Mangement (1) Limited; Imperial Tobacco Mangement (2) Limited	Director
	Imperial Tobacco Overseas (Polska) Limited	Director
	Imperial Tobacco Overseas Holdings (1) Limited; Imperial Tobacco Overseas Holdings (2) Limited	Director
	Imperial Tobacco Overseas Holdings Limited	Director
	Imperial Tobacco Overseas Limited	Director
	Imperial Tobacco Resources B.V.	Director
	Imperial Tobacco Trading Limited	Director
	Joseph & Henry Wilson Limited	Director
	Newglade International	Director
	Park Lane Tobacco Company Limited	Director
	Rizla UK Limited	Director
David Resnekov	Imperial Tobacco South Africa S.A.	Chairman
	Attendfriend Limited	Director
	British Tobbaco Company Limited	Director
	Congar International UK Limited	Director
	Imperial Tobacco Altadis Limited	Director
	Imperial Tobacco Capital Assets (1); Imperial Tobacco Capital Assets (2); Imperial Tobacco Capital Assets (3); Imperial Tobacco Capital Assets (4)	Director
	Imperial Tobacco Enterprise Finance Limited	Director
	Imperial Tobacco Finance Plc	Director
	Imperial Tobacco Holdings (1) Limited	Director

	ITG Brands Limited	Director
	Imperial Tobacco Holdings (2007) Limited	Director
	Imperial Tobacco Holdings Limited	Director
	Imperial Tobacco Initiatives	Director
	Imperial Tobacco Lacroix Limited	Director
	Imperial Tobacco Limited	Director
	Imperial Tobacco Overseas (Polska) Limited	Director
	Imperial Tobacco Overseas Holdings (1) Limited; Imperial Tobacco Overseas Holdings (2) Limited; Imperial Tobacco Overseas Holdings (3) Limited	Director
	Imperial Tobacco Overseas Holdings Limited	Director
	Imperial Tobacco Overseas Limited	Director
	Imperial Tobacco Pension Trustees Limited	Director
	Imperial Tobacco Trading Limited	Director
	Joseph & Henry Wilson Limited	Director
	La Flor de Copan UK Limited	Director
	Park Lane Tobacco Company Limited	Director
	Rizla UK Limited	Director
	Tabacalera de Garcia UK Limited	Director
Nicholas Keveth	Imperial Tobacco Holdings Limited	Director
	ITG Brands Limited	Director
	Imperial Tobacco Finance Plc	Director
	Imperial Tobacco Limited	Director
	Imperial Tobacco Holdings (2007) Limited	Director
	Imperial Tobacco Overseas Holdings (3) Limited	Director
	Imperial Tobacco South Africa S.A.	Director
	Imperial Tobacco International Limited	Director

Detail, if appropriate, the relevant affiliations other than those considered in the above paragraph that link board members to significant shareholders and/or companies in their group:

Name (person or company) of the Board member	Name (person or company) of the related significant shareholder	Relationship description
Adam Britner	IMPERIAL TOBACCO GROUP	Head of Business Development

John Downing	IMPERIAL TOBACCO GROUP	Company Secretary
Nicholas Keveth	IMPERIAL TOBACCO GROUP	Director of Finance and Planning
David Resnekov	IMPERIAL TOBACCO GROUP	Group Financial Controller

C.1.18. State whether the regulations of the Board of Directors have been amended during the fiscal year.

Yes No

Description of the amendments
The Regulations of the Board of Directors were approved by resolution of the Board of Directors meeting of June 4, 2014, due to the Offer of Sale of Company Shares and admission to listing.

C.1.19. Indicate the procedures for the selection, appointment, reelection, assessment and removal of directors. Give details of the authorised bodies, the procedures to follow and the criteria to be used in each of the procedures:

Directors' Appointment

The Article 22.1 of the Board of Directors' Regulations states that the appointment, the re-election and the removal of the members of the Board and the determination of their number shall correspond to the General Shareholders Meeting, without prejudice to the power of the Board to fill vacancies in the Board of Directors as set out below, and for the shareholders by direct appointment of directors exercising their right of proportional representation.

If, during the period for which a Director was appointed, that Director ceases, for any reason, to be a Director of the Company and there were no substitute:

- a) *If that Director was an Executive Director, the Board of Directors may propose to the General Shareholders Meeting to appoint an Executive Director to the Board of Directors, or may resolve to appoint that director directly by means of the co-optation system, in both cases following the report of the Appointment and Remuneration Committee.*
- b) *If that Director was an External Director representing a significant shareholder, the Board of Directors may propose to the General Shareholders Meeting to appoint an External Director nominated by the significant shareholder, or may resolve to appoint that director directly by means of the co-optation system, in both cases following the report of the Appointment and Remuneration Committee.*
- c) *If that Director was an External Independent Director, the Board of Directors may propose to the General Shareholders Meeting to appoint an External Independent Director to the Board of Directors, or may resolve to appoint that director directly by means of the co-optation system, in both cases on a proposal from the Appointment and Remuneration Committee.*

In each case, when the director is appointed by means of the co-optation system (sistema de cooptación) in accordance with the Law, such appointment will be effective until the next General Shareholders Meeting, in which the appointment must be ratified or another person must be designated to act as Director from that time.

The Board Regulations state the following competencies (among others) for the Appointment and Remunerations Committee (Articles 18.2 a) b) and c) of the Regulations):

Assessing the necessary competencies, knowledge and experience on the Board of Directors and defining, as a consequence of the above, the necessary skills that the candidates require to fulfil the vacant posts, as well as assessing the time and dedication necessary to perform their duties satisfactorily.

Propose the appointment, ratification, reappointment and removal of External Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the Managing Director/s and of the members of the Executive Committee, and the permanent delegation of its relevant faculties to them.

Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.

Appointment of External Directors. Incompatibilities

The Board of Directors and the Appointment and Remuneration Committee, within the scope of their competencies, shall endeavour to ensure that the candidates are selected from among persons of recognised solvency, competence and experience, and that have the necessary availability for the proper performance of their duties as Directors, and shall be particularly rigorous in choosing the persons to cover the posts of Independent Directors as provisioned in Article 7 of the Board Regulations.

In the case a Director is a legal entity, the requirements indicated will also be applicable to the individual representing the organisation, and, in addition, the Director duties set out in these Regulations will also be enforceable on a personal level.

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Company. Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by Law, of a maximum of nine boards of directors of listed companies other than the Company (Article 23 of the Board of Directors' Regulations)

Re-election of Directors

The proposals for re-election of Directors that the Board of Directors decides to present to the General Shareholders' Meeting shall be subject to a formal procedure, which must necessarily include a report issued by the Appointment and Remuneration Committee in which the quality of work and dedication to the post of the proposed Directors during the preceding term of office is evaluated.

The Board of Directors shall endeavour to ensure that the External Directors who are re-elected do not always remain assigned to the same Committee (Article 24 of the Board of Directors' Regulations).

Term of office

Directors shall occupy their post during the period established in the By-Laws, and may be re-elected.

Directors appointed by the Board of Directors to fill a vacancy pursuant to these Regulations shall occupy their posts until the date of the next General Shareholders' Meeting, unless their appointment is ratified by such General Shareholders' Meeting (Article 25 of the Board of Directors' Regulations).

Board Assessment

The Board of Directors will dedicate at least one meeting a year to assessing its operation and the quality of work performed by committees.

Debates and Voting

In accordance with the provisions in article 35 of the Board Regulations, Directors concerned with any appointment, re-election or removal proposals will not intervene in debates and voting on those matters.

C.1.20. Indicate whether the Board of Directors has proceeded to assess its activity during the year

Yes No

If so, explain to what degree the self-assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

C.1.21 Indicate the circumstances under which directors must resign

In accordance with the provisions of Article 26 of the Board Regulations, Directors shall leave their posts when the term for which they were appointed ends and when so decided at the General Shareholders' Meeting, or when the Board of Directors requests it pursuant to article 26.2 below, and shall cease in the use of the attributes accorded them by Law or by the By-Laws.

Directors must place their post at the disposal of the Board of Directors and formally resign as a Director, if the Board of Directors considers it appropriate based on the following counts:

- (a) When they are removed from the executive posts to which their appointment as Directors was associated;*
- (b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;*
- (c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;*
- (d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage to the Company's good name.*
- (e) When, having been appointed on the proposal of a significant shareholder, he notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.*

C.1.22. Explain if the function of chief executive of the company is incumbent on the office of chairman of the Board. Where appropriate, indicate the measures that have been adopted to limit the risks of the accumulation of power in a single person:

Yes No

Indicate and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized to request that a meeting of the Board be called or that other items be included on the agenda, to coordinate and hear the concerns of non-executive directors and to direct the assessment by the Board of Directors.

Yes No

Explanation of the Rules
<i>According to the provisions of Article 32 of the Board of Directors' Regulations, a Director can encourage those people with the ability to summon meetings to call an extraordinary Board meeting</i>

or include the items in the agenda of the first meeting that they deem appropriate to be discussed by the Board.

C.1.23 Are enhanced majorities, other than the legal majorities, required for any type of decision?

Yes No

Where applicable, explain the differences

Explanation of the differences

According to the provisions of Article 38 of the Company By-Laws, the Board shall approve resolutions by absolute majority of the Directors attending the meeting, either in person or via proxy.

Notwithstanding the above, the adoption of any resolutions related to any of the matters set out below will require the positive vote of at least 70% of the Directors, as rounded up in case that the application of that percentage does not result in a whole number of Directors, that form part of the Board of Directors and will not be delegated:

- a) any increase or reduction in the share capital of the Company in accordance with article 7 of these By-laws, or the issuance by the Company of any bonds or securities pursuant to Title III of these By-laws.*
- b) the approval of an annual plan in relation to the capital expenditure, investments and other funding commitments to be carried out by the Company in the following year (the "Annual Capex Plan");*
- c) the acquisition of all or part of any business of any third party whether by way of the purchase (whether direct or indirect) of shares, assets or other like interests of any third party (including by way of merger or business combination) by the Company or any member of its Group;*
- d) the disposal of all or part of any business to any third party whether by way of the disposal (whether direct or indirect) of shares, assets or other like interests (including by way of merger or business combination) by the Company or any member of its Group;*
- e) any decision of the Company to enter into any partnership or joint venture or any other arrangement to share or distribute profits or assets;*
- f) any decision of the Company to incur or agree to incur, whether directly or indirectly, any capital expenditure, investment or other funding commitment in respect of any matter in excess of €1,000,000 in aggregate save to the extent that such capital expenditure, investment or other funding commitment (including the amount of such capital expenditure, investment or other funding commitment) is set out in the Annual Capex Plan for that period that has been approved in accordance with section (b) above;*
- g) any decision of the Company to amend the terms of its borrowing or indebtedness in the nature of borrowing or grant guarantees, or to create or incur borrowing or indebtedness in the nature of new borrowing*
- h) the creation of any mortgage, pledge, lien, charge, assignment of any of such securities, hypothecation or other security interest in relation to the the Company, other than a security interest created by operation of law as a result of the ordinary course of business of the the Company; and*
- i) any decision to delegate any powers of the Board of Directors to a Managing Director, or to*

delegate any powers of the Board to any Committee of the Board.

For the purposes of counting the majority of members of the Board of Directors (or as rounded up in case of odd number of directors) for the adoption of the abovementioned resolutions, the members of the Board that may be under a conflict of interest and that shall abstain from voting, shall be discounted from the total number of members of the Board on which shall be calculated said majority.

C.1.24. Explain whether there are any specific requirements other than those relating to the Directors, in order to be appointed chairman:

Yes No

C.1.25. Indicate if the chairman has a casting vote:

Yes No

C.1.26. Indicate if the Articles of Association or the Board of Directors' regulations establish any age limits for the directors

Yes No

C.1.27. Indicate if the Articles of Association or the Board's Regulations establish a limited term of office for independent directors, other than those established by law:

Yes No

Maximum term of office	12 years
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C.1.28. Indicate whether the Articles of Association or the Board of Directors' Regulations establish specific rules for proxy voting in the Board of Directors, the way this must be done and, namely, the maximum number of proxies a director may have and whether it is mandatory to grant proxy to a director of the same type. If so, briefly give details on such rules.

According to the provisions of Article 37 of the By-Laws and Article 20 of the Board of Directors' Regulations, when Directors are unable to personally attend a Board meeting, they shall endeavour to arrange for their representation and vote to be granted in favour of another Board member who belongs to the same group, and to include appropriate instructions. The delegation may be made by letter, fax, telegram or e-mail.

The number of delegations is not limited, excepting for the fact that only Directors of the same category can be delegated.

C.1.29. Indicate the number of meetings that the Board of Directors has held during the fiscal year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present:

Number of Board meetings	6
Number of Board meetings without the presence of the Chairman	0

Indicate the number of meetings held over the fiscal year by the different committees of the Board:

Number of meetings of the Audit and Control Committee	3
Number of meetings of the Appointments and Remuneration Committee	3

C.1.30. Indicate the number of meetings held by the Board of Directors during the fiscal year attended by all its members. In calculating this number, proxies granted with specific instructions will be counted as attendances:

Attendance of Directors	6
% of attendance over the total votes during the present year	100

C.1.31. Indicate if the individual and consolidated annual accounts that are presented for approval to the board are previously certified:

Sí No

C.1.32. Explain, where appropriate, the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts being presented to the Annual General Meeting with qualifications in the auditors' report.

In accordance with the provisions of Article 46.4 of the Board of Directors' Regulations, the Board of Directors will ensure accounts are prepared in such a way that there is no place for exceptions on the auditor's behalf. Nevertheless, when the Board considers that it must uphold its criterion, it shall publicly explain the nature and scope of the discrepancy.

C.1.33 Is the Secretary of the Board of Directors a Director?

Yes No

C.1.34. Describe the procedures for appointment and removal of the Secretary of the Board, stating whether the appointment and removal thereof have been reported upon by the Nomination and Remuneration Committee and approved by the Board in plenary session

Procedures	
<i>According to the provision of article 13.1 of the Board of Directors' Regulations, the Board of Directors, following the request of the Chairman and the report of the Appointment and Remuneration Committee will appoint a Secretary who need not be a Director. The same procedure will be followed to agree the removal of the Secretary.</i>	

	Yes	No
Does the Appointment and Remuneration Committee report on the appointment?	X	

Does the Appointment and Remuneration Committee report on the removal?	X	
Does the Board in plenary session approve the appointment?	X	
Does the Board in plenary session approve the removal?	X	

Is the secretary of the Board responsible for especially ensuring compliance with good governance recommendations?

Yes No

Remarks
<p><i>As well as the functions assigned by Law and the By-Laws, the Regulation of the General Shareholders' Meeting or by the Regulations of the Board of Directors, and the Internal Conduct Regulation of the Company in matters relative to securities markets, the Secretary will be entrusted with the following duties:</i></p> <p><i>Supervision of formal and material legal compliance of the actions of the Board of Directors, their statutory and regulatory regularity, as well as ensuring observance of Corporate Governance principles or criteria and the provisions of the Regulations of the Board of Directors (Article 13).</i></p>

C.1.35. Indicate, where appropriate, the mechanisms established by the company to preserve the independence of the auditor, the financial analysts, investment banks and credit rating agencies.

Relations of the Board with external auditors will take place via the Audit and Control Committee.

The Board of Directors shall refrain from hiring those audit firms whose projected fees including all items exceed five per cent of its total revenues during the previous financial year.

The Board of Directors shall make public the total fees paid to the audit firm for services other than auditing.

In addition, the Audit and Control Committee has among its competencies, the following:

To establish appropriate relationships with external auditors or audit firms to gather information on those matters which may put their independence at risk, for examination by the Committee, and any other matters relative to the development of Account auditing, as well as any other communications schedules in Account auditing legislation and Auditing technical regulations. In any event it must receive from the auditors or audit firms written confirmation on an annual basis of their independence against the Company or entities directly or indirectly related thereto, as well as information on additional services of any kind provided to such entities by such auditors or persons or entities related thereto, pursuant to the Laws on auditing accounts.

C.1.36. Indicate whether during the fiscal year the Company has changed its external auditors.

Identify, where appropriate, the external auditor and the outgoing one:

Yes No

C.1.37. Indicate if the audit firm carries out work for the company and/or its group other than that of auditing and, in such case, declare the amount of the fees received for said work and the percentage that it represents of the fees charged to the company and/or its group.

Yes No

	Company	Group	Total
Amount of work other than auditing (thousand euros)	0	674	674
Amount of work other than that of auditing / total amount charged by the audit firm (in %)	0	100%	100%

C.1.38 State whether the audit report on the Annual Accounts for the prior fiscal year has observations or qualifications. If so, state the reasons given by the Chairman of the Audit and Control Committee to explain the content and scope of such observations or qualifications

Yes No

C.1.39. Indicate the number of consecutive years that the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate the percentage that represents the number of years audited by the current audit firm over the number of years in which the annual accounts have been audited:

	Company	Group
Number of consecutive years	1	13

	Company	Group
Number of years audited by the present audit firm / Number of years that the company has been audited (%)	100%	100%

C.1.40. Indicate and where appropriate give details whether there is any procedure for directors to get external advice:

Yes No

Details of the procedure

In order to be assisted in performing their duties, External Directors may request that the Company hires the services of legal advisors, accountants, financial experts or others.

This commission must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of their duties.

The decision to hire such experts must be reported to the Company's Chairman and may be rejected by the Board of Directors if there is evidence of the following:

(a) it is not necessary for the correct performance of the duties commissioned to the External Directors;

(b) its cost is not reasonable in relation to the significance of the problem and the Company's assets and revenues,

(c) the technical assistance which is sought may be adequately provided by the Company's own experts and technical professionals; or

(d) there is a risk for preserving the confidentiality of the information that must be given to the expert. (Article 29 of the Board Regulations)

Also, in accordance with the provisions of articles 17.5 and 18.5 of the Board Regulations, the Appointment and Remuneration Committee and the Audit and Control Committee may obtain external professional advice.

C.1.41. Indicate and, where appropriate, give details if there is a procedure to enable the directors to have the necessary information to prepare the meetings of the administrative bodies in a timely manner:

Yes No

Details of the procedure

Summoning of ordinary sessions will be performed by letter, fax, telegram or electronic mail, or by any other means which provides evidence, and this notification will be authorised with the signature of the Chairman, or the person substituting the Chairman, or the signatures of the Secretary or Deputy-Secretary following the Chairman's orders. The call will be effectuated with a minimum notice of two days.

The call will include an agenda for the meeting and will be accompanied by a summary of all relevant information, unless the requirement may be dispensed with upon duly justified grounds.

Furthermore, Article 32 of the Board Regulations sets as one of the obligations of the Director, to be informed and prepare suitably for Board meetings as well as meetings of the delegated bodies or Committees he is a member of.

Finally, and according to Article 28 of the Board Regulations, Directors have the right to gather information on any aspects concerning the Company, and to gather additional information about issues which are within the competence of the Board, to fulfil their functions. This right to information is extensible to all the companies of the Company Group, whether these are national or foreign.

With the aim of not disturbing the ordinary management of the Company, the exercise of information duties will be channelled through the Chairman, Managing Director or the Secretary of the Board of Directors, who will assist the Director's request providing the information directly, facilitating contacts with the relevant department in the organisation or deciding on the measures so that examination tasks may be performed in situ.

C.1.42. Indicate and, where applicable give details, whether the Company has established any rules requiring Directors to inform —and, if applicable, resign— under circumstances that may undermine the credit and reputation of the Company

Yes No

Explain the rules

In accordance with article 26.2 of the Board Regulations, Directors must place their post at the disposal of the Board of Directors and formally resign as a Director, if the Board of Directors considers it appropriate based on the following counts:

(a) When they are removed from the executive posts to which their appointment as Directors was

associated;

- (b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;
- (c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;
- (d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage its good name.
- (e) When, having been appointed on the proposal of a significant shareholder, he notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.

C.1.43. State whether any member of the Board of Directors has informed the Company that he has been prosecuted or that an order for the commencement of an oral trial has been issued against him/her for any offences covered in Section 213 of the Act on Capital Companies:

Yes No

C.1.44 Detail significant agreements reached by the company that come into force, are amended or terminated in the event of a change in control of the company stemming from a public takeover bid, and its effects.

The Company has not reached any agreement that may come into force in the event of a change in control of the Company from a public takeover bid.

C.1.45 Identify in aggregate terms and indicate in detail any agreement between the company and its directors, manager or employees which include any indemnity, severance or golden parachute clauses, for cases of resignation or wrongful dismissal or if the contractual relationship comes to an end as a result of a public takeover bid or other kinds of transactions.

Number of beneficiaries	14
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Category of beneficiaries	Agreement description
Certain Senior Managers	<ul style="list-style-type: none">- Compensation in the case of wrongful dismissal (13 agreements). The compensation to pay, depending on the case, will be of 3 months' salary, or of 1 or 2 years of fix and variable salary, unless the legal compensation is higher.- Compensation for post-contractual non-compete clause (14 agreements): 12 months of fix and variable salary.- Compensation in case of change of control (4 agreements): minimum of 24 months of fix and variable salary.

	All these agreements were executed before the admission to listing of the Company.
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	Board of Directors	General Shareholders Meeting
Decision-making body approving the provisions	X	

	YES	NO
Is information about these clauses provided to the General Shareholders meeting?		X

C.2 Committees of the Board of Directors

C.2.1. Give details of all the committees of the Board of Directors and their members:

AUDIT AND CONTROL COMMITTEE

Name	Office	Category
Mr. Gregorio Marañón y Bertrán de Lis	Chairman	Other External Director
Mr. David Ian Resnekov	Member	External Director representing significant shareholders
D ^a . Cristina Garmendia Mendizábal	Member	Independent Director
D. Eduardo Andrés Zaplana Hernández-Soro	Member	Independent Director

% of executive directors	0
% of external directors representing significant shareholders	25
% of independent director	50
% of other external directors	25

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office	Category
D. Gregorio Marañón y Bertrán de Lis	Chairman	Other External Director
D. John Matthew Downing	Member	External Director representing significant shareholders
D. Stéphane Lissner	Member	Independent Director
D. Eduardo Andrés Zaplana Hernández-Soro	Member	Independent Director

% of executive directors	0
% of external directors representing significant shareholders	25
% of independent director	50
% of other external directors	25

C.2.2 Complete the following table with information on the number of female directors sitting on board committees over the last four years

	Number of female Directors							
	Year t Number	%	Year t-1 Number	%	Year t-2 Number	%	Year t-3 Number	%
Executive Committee								
Audit and Control Committee	1	25%						
Appointments and Remuneration Committee	0							

C.2.3 State whether the Audit and Control Committee has the following duties:

	Yes	No
Supervise the process of preparation and the integrity of the financial information relating to the Company and, if applicable, to the Group, monitoring compliance with legal requirements, the proper delimitation of the scope of consolidation, and the correct application of accounting principles.	X	
Periodically review the internal control and risk management systems, in order for the main risks to be properly identified, managed and made known	X	
Ensure the independence and effectiveness of the internal audit function; make proposals regarding the selection, appointment, re-election and withdrawal of the head of the internal audit department; propose the budget for such area; receive periodic information regarding its activities; and verify that senior management takes into account the findings and recommendations contained in its reports	X	
Establish and supervise a mechanism whereby the employees may give notice, on a confidential basis and, if deemed appropriate, anonymously, of any potentially significant irregularities, especially of a financial and accounting nature, that they notice at the Company.	X	
Submit to the Board proposals for the selection, appointment, re-election and replacement of the external auditor, as well as the contractual terms under which it should be hired	X	
Regularly receive from the external auditor information regarding the audit plan and the results of the implementation thereof, and verify that senior management takes its recommendations into account.	X	
Ensure the independence of the external auditor.	X	

C.2.4. Give a brief description of the organisational and working rules, as well as the responsibilities, attributed to each of the committees of the board.

The Company has created the Audit and Control Committee, in accordance with the provisions of Article 43 of the Company By-Laws, and the Appointments and Remuneration Committee.

Common rules

Appointment of members of the Audit and Control Committee and the Appointment and Remuneration Committee shall be performed by the Board of Directors, they all must fulfil the condition of being External Directors. The members of both Committees shall cease in their posts upon their removal as Directors or when the Board so decides.

The Secretary of the Board of Directors or a Deputy-Secretary where applicable, shall be the Secretary to said committees.

The Audit and Control Committees and the Appointment and Remuneration Committees shall appoint from among their members a Chairman and shall meet when convened by the Chairman. In all matters not specifically provided for, the rules of operation established by the Regulations of the Board in regard to the Board shall apply, provided they are compatible with the nature and function of the Committee.

Except in cases in which other majorities for adopting resolutions have been established, the Committees shall approve resolutions by the majority of its present or represented members.

The conclusions or proposals formulated in its meetings shall be reflected in minutes which shall be accounted for in a plenary session of the Board of Directors.

The Audit and Control Committee

The Board of Directors will ensure that the members of the Audit and Control Committee and, in particular, its Chairman have knowledge and experience in matters concerning accounting, auditing and risk management which are suited to their responsibilities, without needing to be experts in these matters.

Notwithstanding other duties the Board of Directors may entrust it, the Audit and Control Committee will have the following competencies:

- (i) Inform the Shareholders Meeting on the matters raised by the shareholders relating to the matters under its competence.*
- (ii) Propose to the Board of Directors the appointment of the external auditors of the Company and its consolidated group, including the conditions of the engagement.*
- (iii) Supervising internal audit services and activities and, in particular, the Annual Work Plan.*
- (iv) Supervising the effectiveness of the internal control systems of the Company, associated with relevant the Company's risks.*
- (v) Establish and supervise a procedure which allows employees from the Company Group, in confidentially, reporting irregularities.*
- (vi) Establish appropriate relationships with external auditors or audit firms to gather information on those matters which may put their independence at risk.*
- (vii) On an annual basis, prior to the audit report, issue a report on the independence of the auditors.*
- (viii) Inform the Board of Directors of the Company's Annual Financial Statements, as well as the*

regulated financial information.

- (ix) Supervise the preparation, integrity and fair presentation of the regulated financial information.*
- (x) Examining and previously reporting in the Annual Corporate Governance Report, compliance of the Internal Securities Market Code of Conduct, these Regulations and, in general, the Company's governance rules, as well as putting forward proposals for its improvement.*
- (xi) Drafting an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee.*
- (xii) Any other reporting and proposal functions it is tasked with by the Board of Directors with a general or specific nature.*
- (xiii) Any other competence or function under the law, the By-Laws or the Regulations of the Board.*

The Audit and Control Committee shall meet periodically as necessary, whenever called by its Chairman or requested by two of its members, and in any event at least four times per year.

The Appointments and Remuneration Committee

The Appointment and Remuneration Committee will be comprised of external Directors, and the majority of its members must be Independent Directors.

The Appointment and Remuneration Committee will have the following competencies:

- (a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.*
- (b) Propose the appointment, ratification, reappointment and removal of External Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the CEO/s*
- (c) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.*
- (d) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.*
- (e) Reporting appointments and removals of Senior Managers which the first executive suggests to the Board of Directors.*
- (f) Proposing the following to the Board of Directors for its approval:*
 - i) Compensation policies for Directors and senior management.*
 - ii) The Annual Report on Remuneration of Directors, which the Board shall submit to the General Board, on a consultative basis.*
 - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.*
 - iv) The basic conditions in the contracts of Senior Managers.*
- (g) Ensuring compliance with the Company's remuneration policies.*

(h) *Ensuring that selection processes are not implicitly biased in such a way that Directors' selection is prevented.*

(i) *Any other competence or duty conferred by the Law, the By-Laws or these Regulations.*

The Appointment and Remuneration Committee will meet every time it is called by its Chairman or two of its members request, and when the Board of Directors or its Chairman request the issuance of a report and the adoption of agreements.

C.2.5. Indicate, where appropriate, the existence of rules for the Board's committees, the place where they are available for consultation and any modifications introduced during the year. In turn, please indicate if an annual report has voluntarily been prepared on the activities of each committee.

The By-Laws of the Company (Articles 41 to 43) and the Board of Directors' Regulations (Articles 15 to 18) contain the rules governing the Board Committees (See Section C.2.4 preceding).

A report about the activities carried out by the Audit and Control Committee from its creation until 30 september 2014 has been prepared and is available in the corporate web page of the Company (www.grupologista.com)

C.2.6. Indicate if the composition of the executive committee reflects the participation on the Board of the different directors in accordance with their categories:

The Company By-Laws (Articles 4 to 43) and the Board Regulations (Article 15 to 18) contain the rules governing the Committees of the Board.

D.RELATED PARTIES AND INTRA-GROUP TRANSACTIONS

D.1 Identify the competent body and explain the procedure, if any, to approve related- party and intra-group transactions:

Competent body for approving related-party transactions
<i>The Board of Directors, subject to prior approval of the Audit and Control Committee</i>

Procedure to approve related-party transactions
<p><i>Article 39 of the Board of Directors' Regulations states that the Board formally reserves the knowledge and authorization, previous report of the Audit and Control Committee, of related-party Transactions.</i></p> <p><i>To authorise, if necessary, the Related Transactions, the Board of Directors first and foremost shall serve the interests of the Company, evaluating the transaction from the standpoint of equitable treatment of shareholders and market conditions.</i></p> <p><i>No authorisation of the Board of Directors shall be required in connection with transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a number of customers; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; (iii) that the amount thereof does not exceed one per cent of the annual income of the Company.</i></p> <p><i>In the case of ordinary transactions, a general authorisation of the line of operations and its execution conditions shall be sufficient.</i></p> <p><i>The Directors affected by the Related Transaction, either personally, or to the shareholders who they represent in the Board, in addition to not intervene in the decision or exercise or delegate their right to vote, they will be absent from the meeting room, while the Board deliberates and votes on Related Transactions.</i></p> <p><i>The Company shall report the Related Transactions mentioned in this article, in the Annual Corporate Governance Report in the regulated financial information, and the notes to the financial statements, to extend provided by Law.</i></p> <p><i>Likewise, Directors infringe their duty of loyalty towards the Company if, with prior knowledge, they permit or do not reveal the existence of situations or transactions performed by relations or by companies in which they hold executive posts or significant stakes, and which have not been subjected to the conditions and controls outlined in the previous articles.</i></p> <p><i>Also, the Framework Agreement dated 12 June 2014, executed between the Company and Imperial Tobacco Group, establishes that all related operations and, in general, any operation that may pose a conflict of interest affecting the the Company and the ITG Group should be arranged under market conditions that, according to the circumstances, would have been reasonably stipulated by two independent operators and in accordance with the principle of equal treatment of shareholders and the principle of neutrality established in that same Framework Agreement.</i></p>

Explain whether the approval of related-party transactions has been delegated, indicating the body or parties in which said approval has been delegated, if any.

D.2. Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the significant shareholders of the Company:

Name of the significant shareholder (person or company)	Name of the company or entity of its group (person or company)	Nature of the relationship	Type of Transaction	Amount (thousand euros)
ALTADIS S.A.	Compañía de Distribución Integral Logista S.A.	Commercial	Tobacco and related products purchase	391,110
ALTADIS S.A.	Logista-Dis S.A.	Commercial	Tobacco and related products purchase	5,862
ALTADIS S.A.	Logista-Dis S.A.	Commercial	Services Performance	145
ALTADIS S.A.	Compañía de Distribución Integral Logista S.A.	Commercial	Services Performance	5.401
ALTADIS S.A.	Dronas 2002 SL	Commercial	Services Performance	85
ALTADIS S.A.	Compañía de Distribución Integral Logista S.A.	Commercial	Services Performance	3,169
ALTADIS S.A.	Compañía de Distribución Integral Logista S.A.	Contractual /Finacial	Paid interests	1,761

D.3 Give details of any significant transactions on account of the amount involved or relevant on account of their nature, carried out between the company, or entities of its group, and the directors or officers of the Company:

Name (person or company) of directors or officers	Name (person or company) of the related party	Link	Nature of Relationship	Amount (thousand euros)
N/A				

D.4 Give details of the significant transactions carried out with other companies belonging to the same group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the company as regards its object and conditions.

In any event, provide information on any intra-group transaction with companies established in countries or territories considered tax havens

N/A

D.5 State the amount of the transactions carried out with other related parties

608,070 (thousand euros)

D.6 Give details of the mechanisms established to detect, determine and resolve any potential conflicts of interest between the Company and/or its group and its directors, officers or significant shareholders.

Article 35 of the Board Regulations rules the conflict of interest that may affect Directors and their related parties, requiring both of them to (i) report to the Board of Directors any situation involving a direct or indirect conflict, either personally or through persons linked to them, with the Company's interests and (ii) refrain from intervening in the agreements or decisions relating to the transaction to which the conflict of interests refers.

Related persons are the persons described in article 231 of the Spanish Companies Act ("Ley de Sociedades de Capital"). The Director should report any stakes held directly or indirectly and personally or by related persons in the share capital of a company with the same, similar or complementary activity that constitutes the corporate purpose, as well as positions or functions they discharge, as well as performing either personally or for another party similar or complementary activities, to the ones which constitutes the social purpose of the Company.

Directors should abstain in engaging in professional or commercial transactions with the Company unless the situation of conflict of interests is reported previously and the Board, subject to a report from the Appointment and Remuneration Committee, approves the transaction

Furthermore, Section 8 of the Company Internal Regulations for Conduct in the Securities Markets establishes the conduct regulations regarding conflicts of interest. In particular, the Company Internal Regulations for Conduct in the Securities Markets establishes the general principles of independence, abstention and confidentiality that persons subject to it must observe.

These Regulations also state the procedure that persons subject to them must follow to previously report any situation of conflict of interest. These transactions must be previously authorised by the Company Board of Directors, in case of conflict of interests affecting Directors and Senior Management of the Company, and by the Company CEO, in all other cases.

On the other side, the Framework Relationship Agreement provides that when a related-party transaction personally affects a Director or the shareholder he represents at the Board, he must abstain from intervening in the decision, as well as from voting or delegating his vote. He will also leave the Board meeting room, while the Board deliberates and votes on such related transaction. Nevertheless, the external Directors representing Imperial Tobacco must be present in each debate and voting regarding the Framework Agreement or the Treasury Agreements (even though they will not be able to vote regarding these matters).

D.7. Is more than one company of the Group listed in Spain?

Yes No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company.

The Corporate Risk Management System of the Company and its subsidiaries (hereafter, the Group) is set forth in the General Internal Control Policy of February, 8th 2012.

This policy establishes a general action framework for controlling and management of internal and external risks

of any nature, which may affect the Group, in accordance with the Risk Map in effect at all times in the achievement of its objectives, (corporate governance risks, market risks, regulatory risks, business risks, operational risks, penal risks and reputational risks, among others).

The Internal Control System established by this policy (hereafter, the Internal Control System), which forms an integral part of the Group risk management is a process designed in order to provide a reasonable degree of security in achieving the following objectives:

- Reliability of Financial Reporting
- Compliance with applicable Group Policies, Plans, Laws and Standards
- Safeguarding of assets
- Economic and efficient use of resources
- Effectiveness and efficiency of operations

The Group Internal Control Committee was set up in order to develop this policy. Among its responsibilities, the aforementioned Committee is intended to foster and coordinate the updating of the Group Risk Map.

E.2 Identify the bodies responsible for preparing and implementing the risk management system.

The Board of Directors

Among its non-delegable faculties, the Board of Directors has to approve the general policies and strategies of the Group, including the Control and Risk Management Policy, as well as the periodic monitoring of the information and control internal systems.

Audit and Control Committee

Among others, the Audit and Control Committee shall have the following competencies:

- i) Supervise the efficiency of the internal control of the Group, the internal audit, if applicable, and the risks management systems, as well as discuss with the accounts auditors or audit companies, the significant weaknesses of the internal control system, detected during the auditing process
- ii) To inform about the annual financial statements as well as the financial information required by the applicable regulations, which have to be sent to the market regulating or supervisory bodies (before its delivery), monitor compliance with the legal requirements and the generally accepted accounting principles, and, where applicable, the accounting criteria applied. The Committee must also inform the Board of any change in accounting criteria and balance sheet and off-balance sheet risks.

Internal Control Committee

Comprised of the Corporate Financial Director, Corporate Resources Director, a representative of the Legal Department and of all Corporate Directors as well as the General Managers of the 3 most important business units of the Group, and by the Internal Auditor, who shall act as Secretary, without voting rights.

This Committee depends on the Audit and Control Committee of the Board of Directors.

The Committee has the following basic functions:

- To promote and coordinate the annual update Works, the Group Risk Map and submit proposals to the competent approval bodies.
- Analysis and evaluation of Internal Audits results and plans for implementation of recommendations

- To validate the proposals of the Internal Control Process Owners or Coordinators, or Business or Corporate Directors, for defining, updating and developing new processes or subprocesses, as well as the Control Objectives and Control Activities.
- To standardize the reporting the Group Managing Director, Corporate Directors and Business Directors wish to receive on a regular basis, in their respective areas.

In relation with the penal risks prevention model of the Internal Control Committee, it will act as Unit of Control and Follow-Up of Penal Risks Prevention, in relation with the Organic Spanish Law 5/2010, of June 22, which modifies the Penal Code, and restores a regime of direct penal responsibility of the legal persons.

Process Manager or Process Owner: Employees responsible for the design, process development and detection of risks and opportunities that may affect them. They are also responsible for the implementation of policies and internal control standards. They should identify the Control Objectives and Control Activities to Control Owners, reporting on it all to the Internal Control Coordinators.

Internal Control Coordinators: They are responsible for promoting the implementation, development and coordination of the Internal Control System through Control Objectives and Activities. Generally, this function will be occupied by financial officers of the Business and Corporate Management that makes up the Group.

Control Owner: Employees responsible for carrying out control on processes and reporting, through reporting on checks made to the Process Owner. They should suggest improvements and corrective actions to the Process Owner.

Corporate Finance Department

The Corporate Finance Director promotes the Risk Management, requesting the completion of the risk assessment to the Control Owners and to the Business General Managers, following the Group methodology.

Internal Audit Department

The Internal Auditor, with Independence of the functions that correspond to the Internal Audit Department, will Foster, coordinate and document the proceedings and Works of the Internal Control Committee.

E.3 Indicate the main risks which may prevent the company from achieving its targets.

The methodology applied by the Group classifies main risks in four main categories:

- **Operational risks** (or “Business as Usual” risks) are associated with your business' operational and administrative procedures. These include recruitment, supply chain, transportation, accounting controls, IT systems, Regulations and Management structure/governance
- **Project risks** are associated with major changes taking place in your business, including new systems implementations or migrations, changes of location, and new initiatives, such as key product launches etc. (Projects generally have a finite life, after which the associated risks disappear).
- **Strategic risks** are those risks associated with operating in our industry. They include risks arising from merger and acquisition activity, changes among customers or in demand, industry changes and research and development.
- **Emerging (new) risks** derived from the political and macroeconomic situation. They are systemic and potentially affect many organizations.

Particularly, in the Group Risk Map the following risks were identified, among others:

Operational risks:

- Theft of tobacco in the company facilities and lorries' attacks, resulting in increases to our insurance premium.
- Impairment losses as a result of potential declines in the fair value of our assets regarding the goodwill high carrying value.
 - o Counterparty Risk with Financial Institutions mainly relating to the huge amounts of Excise Payments in Spain, France and Italy, to the Fiscal Authorities through the banks, at the time before the payment is made.
- Illicit Trade, contraband and counterfeiting impacting in main markets resulting in drop of distributed volumes.
- Penal risk (commission of crimes within the company and/or in the benefit of the Group)
 - o Potential liabilities and costs from litigation could adversely affect our business, as either plaintiff or defendant

Project risks:

- Delays and mistakes in the new systems and business initiatives implantation could lead to additional costs to the Group and to delay or even impede the achievement of the strategic objectives, due to the settlement of unrealistic or ambitious deadlines, deficient planning and project management methodology that sets aside the risks arising throughout the project execution, etc.

Strategic risks

- **Regulatory change Risks:**
 - o The Group is subject to numerous laws and regulations in the jurisdictions in which operates (European, national, regional and local), exposing the group to potential claims or ongoing and increasing compliance costs that could have a material adverse effect on the business.
 - o European Tobacco Product Directive 2014/40/UE establishes tighter rules for the tobacco products that could lead to drop in volumes. (ingredients, plain packaging, display ban, track and trace, cross-border trade...). The transposition period in their respective member States ends on May, 20th 2016.
 - o Liberalization in the Main Markets where the Group operates as tobacco product authorized distributor could affect to the company financial results, if the measures already planned by the Group were not implemented.

Emerging risks:

- Group financial results could be adversely affected by the continuation or further deterioration of the challenging economic conditions in the markets in which operates.

E.4 Identify if the company has a risk tolerance level.

The current risk assessment methodology requires the preparation of the individual risk maps, taking into account the local or business own relative importance based on the risk evaluation before and after considering the mitigating controls established, in order to obtain the net risk (mitigated or residual).

The risk owners categorize their risks based on impact and likelihood (from 1 to 10), ending up, after considering

any mitigating control and action plan, with the risk classification (Severe, High, Moderate or Low).

The risk consolidation process in the Corporate Risk Map of the Group follows an analog process. Generally, risk tolerance is lower for those residual risks categorized as Severe and High, where the monitoring of the bodies intervening in the Corporate Risk Management Process detailed in the E.2 section is more intense, having a higher tolerance to the residual risks categorized with Medium or Low importance.

E.5 Identify any risks which have occurred during the year.

Regular operational risks, in the ordinary course of business, particularly theft of tobacco in the company facilities and lorries attacks, not affecting the Group financial results as the load was covered by proper insurance policies.

Liabilities for the resolution of fiscal litigation processes, ruled against the Group, not affecting the Group financial results, as the aforementioned processes were properly provisioned.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to.

The methodology to elaborate the Group Corporate Risk Map, based on the individual risk evaluation of the businesses, forces the evaluators to assess the risks before and after considering the mitigating controls and action plans established for each case, ending up with the risk classification (Severe, High, Moderate or Low).

See below the main existing controls for the risks identified in the E.3 section:

Operational risks

- Theft of tobacco in the company facilities and lorries attacks.
- The following measures reduce both the impact and the likelihood to a tolerable risk level
 - o Security standards definition and compliance as per manufacturers standards and storage and transport of high value goods international best practices, in compliance as well with the current European regulations.
 - o The Group carries insurance periodically updated to minimize such risks.
- Technological risks regarding the lack of (or faulty) availability of the information systems, managed mainly by the following measures:
 - o Existence of a Disaster Recovery Plan that significantly reduces the aforementioned risk in the main business systems and applications. The DRP is periodically tested and the testing results are analyzed and monitored by the Information Security Committee.
 - o The Group Data Centers are permanently monitored
- Regarding the goodwill high carrying value, the Group undertakes impairment test according to the IFRS.
- Counterparty Risk with Financial Institutions mainly relating to the huge amounts of Excise Payments in Spain, France and Italy, to the Fiscal Authorities through the banks, at the time before the payment is made, is mitigated through the constant rating monitoring, reducing the exposure continuously, and working only with those financial institutions with the best credit rating.
- Regarding illicit Trade, contraband and counterfeiting, the Group is developing projects together with the manufacturers to establish track and trace protocols, in compliance with the European Directive of April, 3rd 2014.

- In relation to Compliance and Crime Prevention within the company:
 - o Employees periodically have to undertake training on the Group Code of Conduct, focused on their position, responsibilities and exposure to risk.
 - o Group Whistle blowing policies & Procedures available in the Group intranet to every employee.
 - o Centralized supervision from the Legal Department of most significant contracts all across the Group, to ensure the proper observance of the Code of Conduct by Third Parties working for the Group.
 - o Additionally, a variety of policies exist, regulating the investment and divestment approvals, purchasing and other relevant and risky transactions such as increasing of debt, that require a strict approval and communication workflow.
 - o As well, a Corporate defense model has been implemented in Spain and Italy, in order to formally document that all Crime Risks to which the companies could be exposed are mitigated with already existing mitigating controls, monitored by the Internal Control Committee in Spain and the Monitoring Body in Italy. These frameworks establish that in case of lack of compliance with the controls and general behavior principles stated in them and in the Group Code of Conduct, disciplinary actions could be taken against the offenders.
 - o Anti money laundering procedures in Portugal, Spain and Italy, being the Regulatory Compliance Directorate the body in charge addressed as the valid interlocutor with the SEPBLAC

Project risks

- In order to reduce the risk of delays and mistakes in the new systems and business initiatives implantation, the Group uses project management methodologies based on best practices, following strict investment approval workflows and the available capacity risk of change are formally managed.

Strategic risks

- Risk of regulatory changes
 - o Compliance with applicable law and regulations affecting the Group is managed by the Regulatory Compliance Directorate, that, as Corporate Legal Counsel, centralizes the review of the relevant contracts signed in the Group, to ensure the inclusion of the required legal clauses.
 - o Markets in which we are present are already liberalized: competition is open to new entrants. The negative effect that market liberalization would have in the Group is mitigated by the business diversification strategy followed by the Group, and the capacity to sell tobacco through the large capilar point of sales network

Emerging risks

- The markets most affected by the poor economic evolution, and the business units most exposed to its customer credit risks, are reinforcing the proceeding for the recovery of debts to shorten the terms, as well as reducing and tightly monitoring the credit limits, fostering the obtaining of bank guarantees.

F. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the company. This section describes key aspects of the internal control and risk management systems in place at the Santander Group with respect to the financial reporting process, specifically addressing the following aspects:

- The entity's control environment
- Risk assessment in financial reporting
- Control activities
- Information and communication
- Monitoring

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

The Aim of the Board of Directors is to determine and review Group's strategy plans and finance objectives. Regulations for the Board of Directors in article 5 states, among its faculties, the approval of general policies and strategies of the Group in particular, risks management and control policy as well as periodic monitoring the internal control and information systems. For these purposes it is supported and receives the advice of the Audit and Control Committee.

The Audit and Control Committee holds, among its competencies, according to Board Regulations' article 17.2, as well as the article 43 of the By Laws, the following: supervising the effectiveness of the internal control systems of the Group associated with relevant Group's risks, reviewing appointment and replacement of managers in charge, and discuss with the auditors of the audit firms the weaknesses of the internal control system, detected during the audit. In addition, informing the Board of Directors of Group's Annual Financial Statements, as well as the regulated financial information, which should be reported to regulatory and market supervision authorities (in advance of such submissions). The Regulations of the Board as well establishes the function of overseeing compliance with legal requirements and the correct application of generally accepted accounting rules, as well as informing on proposals to modify accounting principles and criteria suggested by Management and the risks within and outside the balance.

In addition to what is settled in the Regulations of the Board of Directors, during the last years, a number of internal policies and procedures have been elaborated, constructing the pillars of an adequate enterprise risk management framework and effective internal control, Among these policies and procedures, is remarkable the General Policy of Internal Control as well as the composition, responsibilities and the internal procedure and functioning of the Internal Control Committee of the Group, defining the Corporate Finance Director, as member chairing the committee, collaborates in the Group's global design, execution, supervision and monitoring of the internal control system over financial information, notwithstanding the following bodies' competencies.

For this purpose, determines the applicable accounting policies over financial information and establishes related internal control procedures and supervises its compliance.

Audit and Control Committee, according to how is defined in the General Internal Control Policy counts on the following bodies for the supervision and monitoring of the Group's internal control and risk management:

- Internal control committee
- The unit for controlling and monitoring the Group's Crime prevention model (or Crime Prevention Committee).
- Internal Audit Function

Internal Control Department, pursues the development, creation and standardization of the Group procedures, including those relating the elaboration of financial information.

Internal Audit Function provides a second line of reasonable assurance to the Board of Directors through the Audit and Control Committee and to the Group's Senior Management in the course of the Internal Control Committees, on whether the Group's policies and procedures are being met, controls are effective (including specific activities over the ICFR) and if the Organization is working as really expect the Board of Directors and the Senior Management, as a result of the execution of the Annual Internal Audit Plan.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.**

The Board of Directors' aim, according to article 6 of its Regulations, is to determine and review corporate and financial aims of the Group, and agree plans and policies for its achievement, promoting and supervising Group's management, as well as the achievement of established aims, and guaranteeing the existence of suitable management and organization, effectively under the supervision of the Board of Directors.

Nevertheless, is the practice of the Board, to delegate the daily management to the executive bodies and the entrusted managing team, except in the case of those subjects which, due to laws, Bylaws, or the Board's Regulations itself are not possible to be delegated.

General Policy of Internal Control specify the risk identification process in the Group and is available for risk assessment process purposes, a matrix of process and sub processes owners updated and approved by the Internal Control Director, including all Group's countries and businesses.

On the other hand, Human Resources Department, among its responsibilities, have to review the Organizational structure of each business units or corporate areas, in order to identify needs, inefficiencies and improvements of its structure and design, existing in this regard an intranet web site for internal communication for spreading policies, procedures and Group's instructions.

In accordance with the Neutrality Framework dated June 12th, 2014 between the Company and Imperial Tobacco Group PLC, internal control systems in the Group, including the control over the financial information, as well as internal audit standards, are coordinated with the standards and systems into force in Imperial Tobacco Group, whenever it is necessary, in order to ease the preparation and communication of its own regulated financial information.

- **Code of conduct, approving body, dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

Imperial Tobacco PLC's Code of Conduct is the one adopted and internally communicated; there are available English, Italian, French, Polish and Portuguese versions of the Code to ensure its proper understanding and spreading throughout all the countries where the Group has activity. The content is aligned with requirements and standards of most important multinationals underpinning internal control system as the ethics key element.

Fundamental values statements of the Code of Conduct are business and commercial integrity as well as corporate responsibility. These general principles are developed in the Code of Conduct.

Particularly, relating financial information, the Code of Conduct states we must;

- ensure all financial reports, disclosures, forecasts and analysis we are responsible for is submitted honestly and accurately
- comply with all laws, external accounting requirements and Company Procedures for reporting financial and all other business information;
- co-operate fully with Group Compliance and our external auditors;
- Make all efforts to identify any potential misrepresentation of accounts, data or records or any incidence of potential fraud or deception and raise any concerns about the accuracy or completeness of financial reports with local, regional or functional heads of finance, the Director of Accounting, Forecasting and Tax, or the Head of Group Compliance.

Morover, the Group counts on a Crime Risks Prevention Policy and General Principles of Behaviour to prevent Crime Risks, to define rules and policies of conduct and behaviour around the Group activities, and to identify control systems with the aim of avoiding the Spanish Penal Code crimes.

Specific codes of conduct adapted to Italian Group companies exist, according to the legal compliance requirements in connection with crime risks, 231 Dcr. describing in detail all the processes of the Italian Group companies, including record and reporting financial information. Those processes are analyzed by legally requested Governance Bodies in Italy.

Employees must sign the confirmation recognizing reading and acceptance of contents. Besides, Human Resources Department has defined within the Annual Training Plan, specific programs oriented to spread the Code of Conduct and Crime Prevention Policy to the employees of Group's companies and Business Units, achieving high percentages of completion.

Both, Code of Conduct and Crime Prevention Polity are available from the Group's intranet web site.

- **'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organizations, stating whether reports made through this channel are confidential.**

Likewise, Whistleblowing Policy, is an instrument accessible to Group employees allowing them to denounce any irregularity and non compliant behaviours in respect to ethics, legal framework and rules governing the Group, being guaranteed denounces' confidentiality.

Following this policy, employees are allowed to openly raise any concern or to address any communication or information about bad practices giving a confidential treatment to it.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.**

Human Resources Department is in charge of defining the Group's Annual Training Plan. In this way, training sessions are received by the employees involved in the process to record and review financial information, including training sessions to prevent the Group companies from Financial Fraud. With the aim of guarantying the consideration and application by the Group of every change or new law or regulation linked to the reliability of the financial information, the departments involved to record and report financial information have received training about accounting rules, tax regulation and internal control.

Specifically, Internal Audit Department and Internal Control Department, in charge of supervising the ICFR, have received seminars and training courses, among others, over financial information, conflicts of interest, control environment and compliance.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether

- **The process exists and is documented.**

The Group has a specific General Policy of Internal Control for risks identification process within the Group, as an interactive and ongoing process, integrated in the strategy and planning.

Implemented risks analysis methodology has identified and prioritized those relevant internal and external risks threatening the Group businesses. Process owners of Group companies, annually, prepares a risk map enabling the construction of the Corporate Risk Assessment, set up considering the General Policy of internal control and the risk process guidelines.

Also, the Group has defined a matrix for the reliability of financial information over which is determined the annual scope of the ICFR for Group companies, following both quantitative and qualitative criteria and considering the risk of fraud or misstatement.

The Group has identified and documented main processes with impacts in the process to record and report financial information defined in the General Policy of Internal Control, such as (and among others) procurement management, sales, accounting and consolidation, treasury, fixed assets.

- **The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency**

Instructions delivered for the elaboration of the ICFR matrix includes guide for the identification and description of risks and described processes, objectives of the financial information (financial assertions) assuring that transactions, facts and events comply with: existence and occurrence, integrity, valuation, presentation, disclosure and comparability as well as rights and obligations.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies. etc**

A procedure over Financial Statements Closing Process exists into force in the Group, as well as the

Group Accounting Manual, and the accounting principles procedure, to determine the consolidation rules for the Group. Also, through the Good Practices over finance internal control, the Group remarks the importance of following up the key controls for finance risks prevention of ICFR.

At year end closing, within consolidated financial statements of a Sub-Group (where applicable), have been included, according to applicable consolidation methods, all companies in the subgroup, joint ventures and associated, according to IFRS contents. For this purpose Consolidation and Reporting Department keeps a detailed control of all Group companies, analyzing specific applicable consolidation criteria.

- **The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

Group Internal Control, as is detailed in the General Policy of Internal Control, in the chapter relating "Internal Control System Processes" considers that are inherent risks to the processes such as general, strategic, organization, operations, functional and corporate services risks, including specific finance, legal and information systems different types of risks.

- **Which of the company's governing bodies is responsible for overseeing the process.**

Internal Control Committee Chairman (the Corporate Finance Director) leads the process that is coordinated by the Internal Audit Function in collaboration with Finance Heads of different Group countries and businesses.

Finally, according to Article 5 of the Board of Directors Regulations, the Board of Directors of the Company has the monitoring function of supervising the Group financial information.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgments, estimates, evaluations and projections.

Among the faculties of the Board of Directors as per stated in article 5 of its Regulations, is included the responsibility of financial information which is obliged to make public periodically due to its listed status.

Additionally, according to article 17.2 of the Board Regulations, is included within the responsibilities of the Audit and Control Committee, "to inform the Board of Directors of the Group's Annual Financial Statements, as well as the regulated financial information, which should be reported to regulatory and market supervision authorities (in advance of such submissions), overseeing compliance with legal requirements and the correct application of generally accepted accounting rules, as well as informing on proposals to modify accounting principles and criteria suggested by Management and the risks within and outside the balance.

Supervise the preparation, integrity and fair presentation of the regulated financial information, and prior reporting to the Board of Directors in relation to transactions involving or which may involve conflicts of interest and, in general, in relation to the duties regulated in chapter IX of these Regulations."

Regulated financial information to be communicated to financial markets fits the requirements of R.D. 1362/2007 Law and Circular 1/2008 of January 30th issued by the CNMV, it is prepared by the Corporate Finance Head of the Group, is verified by the external auditors, analyzed by the Audit and Control Committee which informs to the Board of Directors, the body with the ultimate responsibility to agree and approve the publication and communication to financial markets.

Practically all Areas and Organization Units structuring the Group, to a greater or lesser extent, contribute with relevant data to record and report financial information. The Control System defined into the General Policy of Internal Control is built of processes and sub-processes that are common to all activities and Businesses of the Group, and they are grouped in three categories:

1. General Aspects, Strategic and/or Organizational Processes
2. Operational Processes
3. Functional Processes and Corporate Services

Each Process is formed by several sub-processes described in such policy, disclosing related control objectives and control activities to prevent or mitigate finance risks behind the operations carried out by Group businesses and areas.

In general, control objectives over the ICFR in the Group are stated in the procedure issued by the Corporate Finance Director, so called, "good practices over finance internal control". Such procedure provides a diversity of applicable internal control measures compulsory for all Group Businesses and Corporate Areas and it contains the key checks to mitigate the risks of material misstatement in the financial information.

Likewise, the General Policy of Internal Control, describes more in detail, control objectives and internal control activities surrounding the main processes with impact over financial information recording and reporting, principally through the following annexes:

- Annex 5. Inventory Purchases
- Annex 6. Stock management and provision of logistics services
- Annex 7. Sales Management
- Annex 8. General Accounting Management
- Annex 9. Preparation and validation of management accounts
- Annex 10. Financial and consolidation information management
- Annex 11. Affiliate Companies Control
- Annex 12. Fixed Assets Management
- Annex 13. Tax Management
- Annex 14. Treasury Management
- Annex 15. Collection and payment management

Besides, Finance Heads and Business Controllers of the Group Businesses and companies, certifies quarterly a confirmation in writing of compliance with General Policy of Internal Control relating key accounts and controls.

1. Their responsibility to prepare the reported financial statements at Year End, as well as any other reported information.
2. The financial statements have been obtained from the Company accounting records, which reflect all the transactions, assets and liabilities.

3. The Company accounting records match with the information reported in the Consolidation tool, under Local GAAP. The Company adds all the corresponding adjustments to it in order to translate it into IFRS.
4. Concepts and amounts included in each account are in line with the requirements of the Group Accounting Manual.
5. Important estimations and decisions have been done taking into account the last available information in the Business and are well justified and documented.
6. Responsibility about the accuracy of the information contained in the consolidated financial statements at Year End wherever applicable.

As already mentioned, Audit and Control Committee assists and advises the Board in their responsibility to supervise the effectiveness of the Group Internal Control System and informing the Board of Directors of Group's Annual Financial Statements, as well as the regulated financial information, overseeing compliance of legal requirements and accurate application of the accepted accounting principles as well as the risks within and outside the balance.

Besides, is the responsibility of the Audit and control Committee, among others, to supervise the process to record and report the regulated financial information, its integrity and presentation compliance.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Information Systems Department, within the Resource Corporate Directorate, is responsible of the Group telecommunication and information systems. Among its responsibilities, the Information Systems Department has to develop the necessary policies and procedures regarding IT, as well as the technical and organizational measures to ensure the integrity, confidentiality and availability of the corporate information, including the financial information.

The General Policy of Internal Control establishes the guidelines regarding the management of IT-related risks, in particular those relative to access management, system change management, business continuity and segregation of duties. In addition to the Internal Control Policy, there are internal regulations that rule IT control objectives. These rules are a complement to the Internal Controls General Policy.

In the Group, the management of IT system is performed centrally from the corporate offices. Access management is based on defined identity and authentication mechanisms, access profiles based on the principle of least privilege (each user has access only to the information and resources that are necessary for their job position) and regarding segregation of duties, through the definition of the critical roles and the compensating activities. Furthermore, addition, modification and deletion of users and access profiles in the systems is managed by the necessary approvals, stated in the access management procedures.

Changes in the information systems and its subsequent operation are managed by an internal policy, stating the milestones, requirements and government bodies of the change management cycle, with the goal of ensuring the Group operating continuity, the integrity of the changes performed, and the information confidentiality.

Information Systems availability and continuity in the event of disasters are ensured through a corporate business continuity plan. The business continuity plan ranks information systems (from more critical to less critical) based on both risk level and maximum recovery time, as defined by the Group. In case of disaster, the plan includes processes in order to decide whether the plan has to be triggered, the escalation procedures to the proper

management and the processes to recover the business operation. Additionally, the plan is tested annually.

The Group has defined and implemented a segregation of duties matrix. This matrix ensures users access and privileges are based on the minimum access required as per job description. Besides, a number of measures complete the segregation of duties matrix, like the incorporation of super-users. When nature of business operations requires the use of super-users, there are controls in place, being those users fully monitored through access logs and audit trail, to ensure only valid transactions are processed.

The Group has established mechanisms to ensure corporate network is, at all times, monitored and protected against internal and external intrusions. In addition, the Information Systems Department conducts regular reviews with the objective of testing the robustness of the network control system as well as to ensure it adequately covers new threats.

All the Group employees are trained periodically on Good Information Security Practices through an in-house training program. These trainings include frequent email communications about information risks and controls, as well as updates and reminders about good information security practices.

Internal policies and procedures:

- Information Systems Strategic framework.
- Information Systems protection.
- Security of the Information Systems.
- Procedure 03-2013 Information Systems Security.
- IS Standards Manual.
- Segregation of Duties Model. Maintenance procedure – SAP GRC System.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Group has not relevant services outsourced connected to record and report financial information, being only few cases of subsidiaries with irrelevant of immaterial impact in the Consolidated Financial Statements such as Logesta Polska, Logesta Alemania or Logesta Holland Branch. However, exist a Policy and Procedure of Purchasing to assure not only the fraud prevention and transparency during bidding processes launched but it considers as well counterparty risks for which mitigation, the Group usually keeps the right to review and audit the execution of the services or works outsourced.

Likewise, Group Accounting Manual and Good practices in finance internal control procedure have stated main requirements and validations necessary to evaluate criteria and outcome from the eventually outsourced activities which could affect significantly the Financial Statements.

F.4 Information and communication Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

Consolidation and Reporting Head of the Corporate Finance Department, has the faculty of defining and updating

the Group accounting policies and solving any question about the application and interpretation of the accounting rules.

The Group has in addition to the Group Accounting Manual two specific procedures issued by the Corporate Finance Director, applicable to all Businesses and Corporate Heads, “good practices over financial internal control”, which aim is to provide reasonable assurance over the reliability of the financial information covering the key risks (those with highest impact in the reported financial information) and the procedure of “Accounting Principles” which aim is to establish and portray an updated description of the accounting framework, the most relevant rules to record and value and the applicable accounts mapping.

According to the Accounting Principles procedure, which describes the Group accounting framework, the consolidation record and value rules and the accounts mapping, when arising doubts about the application of accounts, when to use or how to classify, the Group Controller could be consulted. In addition is the responsibility of the Group Controller to maintain properly updated the Group charter of accounts.

On the other hand, the Group follows a program to keep its employees duly updated through the periodical communication of informative communications about changes in rules and accounting regulation.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

SAP is the main ERP used in the Group. Besides, HFM is the Consolidation and Reporting application used by the Group in which the subsidiaries proceed to record and report the financial information for its aggregation, standardization and data analysis at both, individual and consolidated level.

Consolidation and Reporting Department is in charge of the design, development and implementation of all necessary tools and processes to record, control, report and consolidate the Group Financial Information.

Also, according to the Accounting Principles procedure, the Finance Heads and Controllers of the Group companies and Businesses, certifies that reporting and communication to the Corporate Finance Department are uniform for controlling and follow up purposes.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Group has an Internal Audit Department.

The Internal Audit Department provides a third line of reasonable assurance on whether the Group policies and procedures are being met, controls are effective and the Organization is working as the Board of Directors and Senior Management really expect through the completion of the audit plan, communicating outcome to the Audit and Control Committee as well as to the Internal Control Committee.

Internal Audit Planning approved by the Audit and Control Committee, is built considering the conditions

impacting the accounts' risks, to address those significant processes and related accounts, reporting assurance as well about the effectiveness of the ICFR to the Board through the reporting of the audit plan results.

Audit and Control Committee receives periodic information, at least twice a year, about progress and conclusions of the Internal Audit Plan execution, as well as the level of implemented recommendations.

Moreover, Audit and Control Committee receives reports prepared by the Corporate Finance Director before recording significant transactions, for instance, the allocation of a Purchase Price (PPA), or for the communication and approval of relevant internal policies, in advance of such submission.

As indicated by the Board Regulations, the Audit and Control Committee is responsible for establishing necessary relationship with the External Auditors or audit companies to receive information about those questions jeopardizing their independence, to be analyzed by the Audit and Control Committee.

The Audit and Control Committee must receive, annually, from the External Auditors, their independence confirmation, as well as the details of any other additional services rendered to Group companies by them or their related parties, according to what is stated in the Financial Statements Audit Laws. External Auditors confirm their Independence to the Audit and Control Committee and this committee issues to the Board a report with opinion their opinion relating the independence of the External Auditors. This report, must be delivered before the reception of the external audit report of the Financial Statements, and must conclude, over the details of additional services different to audit services.

The Internal Control Committee has the following functions:

- Fostering and coordinating all necessary works to update, annually, the Risk Map proposing it for approval by the bodies accountable.
- Follow up the level of implementation of the Internal Audit recommendations.
- Follow up the level of implementation of the External Audit recommendations.
- Validating proposals related to the definition, updating and development of the news Processes or sub-processes, as well as the validation of the Objectives and Activities Controls of the General Internal Control Policy
- Homologating the typology of Report about the Internal Control that the Chief Executive Officer, Senior Management and Board of Directors wish to receive
- Any other function in terms of the Internal Control System assigned by the Audit and Control Committee

On the other hand, Internal Control Committee will provide control and follow up for crime risk prevention.

The General Policy of Internal Control sets forth the obligation to all employees with supervision faculties over a Department, Area, Organization, Plan, Project or Activity, to evaluate the effectiveness of its Internal Control System.

For this purpose, Internal Audit Department and Internal Control Department have available for employees, self assessment questionnaires to enable self-diagnosis and supervision.

Nevertheless, Internal Control Department and Controlling Department of Corporate Finance, in first and second lines of defence, respectively, review and inspect the execution of existing controls along the process to record and report the financial information.

Likewise, in the third line of defence, the Internal Audit Function, through the execution of the internal audit plan, provides to the owners of processes reviewed, recommendations to improve and diminish those risks which could be insufficiently mitigated, informing about them, including recommendations over the ICFR to the Audit and Control Committee (delegated by Board of Directors) and to the Audit Committee (formed by Senior Managers in the Steering Committee). Internal Audit informs to these bodies about main findings observed during the audits,

quantifying impact over Financial Information, level of implementation and proposing action plans with responsible and dates for corrective actions.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

External Auditors keep a line of communication with the Audit and Control Commission and they are present at all sessions analyzing and informing over regulated financial information and the issuance of the Annual Financial Statements. In such meetings, External Auditors inform to the Audit and Control Committee about important matters of audit and accounting, as well as the recommendations raised as result of the execution of their tests, to allow improve the internal control system.

Relating the ICFR, the External Auditor has issued a report (reference is made to heading F.7.1.)

The Internal Auditor presents to the Audit and Control Committee for approval the following aspects:

- 1) Internal Audit Team
- 2) Internal Audits results
- 3) Follow up of internal audit applied during the year and approval of the next year plan
- 4) Announcement of Financial results proposal
- 5) Internal control over financial reporting (ICFR) and budget for the quality and review of the regulated financial information
- 6) Activity of the Internal Control Committee

In addition, the Internal Audit function communicates periodically to the Senior Management (through the Internal Control Committee and Crime Prevention Committee) the results of the audits, percentage of implemented recommendations and execution progress, over the financial and not financial control weaknesses with potential impact in the Group Financial Statements.

With regard to the Crime Prevention Committee reporting, main subjects communicated during the year related:

- 1) Internal Audit activities of review carried out connected to Crime Prevention.
- 2) Training in crime prevention (activities coordinated by Internal Audit with Human Resources).

Internal Control Committee receives reporting from Internal Audit with regard to the execution status of the Group audit plan and main findings raised by both, Internal and External Audits, as well as the action and contingency plans to fix the issues observed.

Moreover, Internal Audit and Internal Control Departments are responsible to follow up the action plans implementation to correct the issues identified.

F.6 Other relevant information:

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F.7 External auditor review

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Company has requested to the External Auditor the review of described information in this document, and corresponding report is attached as annex. The scope of their work have been performed in accordance with the "Guidelines for action and auditors' report model relating the information linked to internal control system over financial reporting for listed companies" published by the CNMV on July of 2013.

G. DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED

Indicate the degree of conformance of the company to the recommendations of the Unified Good Governance Code. If any recommendation is not complied with or complied in part by the Company, a detailed explanation of the reasons should be included, providing shareholders, investors and the market in general with sufficient information to assess the company's course of action. General explanations will not be acceptable.

1. The By-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.

See sections: A.10, B.1, B.2, C1.23 and C.1.24

Complies Explain

2. When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:

- a) Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

See sections: D.4, D.7

Complies Complies in part Explain Not applicable

3. Even if not expressly required under applicable commercial Laws, transactions involving a structural change of the company and, in particular, the following, are submitted to the shareholders at the General Meeting of Shareholders for approval:

- a) The transformation of listed companies into holding companies through "subsidiarization" or reallocating core activities to controlled entities that were previously carried out by the company itself, even if the latter retains full ownership of the former;
- b) The acquisition or disposal of key operating assets, when it involves an actual change in the corporate purpose;
- c) Transactions whose effect is tantamount to the liquidation of the Company.

See Section: B.6

Complies Complies in part Explain

4. Detailed proposals of the resolutions to be adopted at the Annual General Meeting, including the information to which recommendation 27 refers, are made public at the time of publication of the notice of the General Meeting of Shareholders.

Complies Explain

5. Matters that are substantially independent are voted on separately at the General Meeting of Shareholders, in order to allow the shareholders to express their voting preferences separately. This rule applies, in particular:

a) To the appointment or ratification of directors, issues which shall be voted on individually;

b) In the event of amendments of the Articles of Association, to each article or group of articles that is substantially independent of one another.

Complies Complies in part Explain

6. Companies allow split votes so financial intermediaries who are recorded as having shareholder status but act for different clients can divide their votes in accordance with the instructions given by such clients.

Complies Explain

7. The Board performs its duties with a unity of purpose and independent judgment, affording equal treatment to all shareholders in furtherance of the corporate interests, which shall be understood to mean the optimization, in a sustained fashion, of the financial value of the Company.

It likewise ensures that in its dealings with stakeholders, the Company abides by the laws and regulations, fulfils its obligations and contracts in good faith, respects the customs and good practices of the industries and territories in which it operates and upholds any other social responsibility standards to which it has voluntarily adhered.

Complies Complies in part Explain

8. The Board assumes responsibility, as its core mission, for approving the company's strategy and the organization required to put it into practice, and to ensure that Management meets the goals set while pursuing the company's interest and corporate purpose. As such, the Board in plenary session reserves for itself the right to approve:

a) The company's policies and general lines of strategy, and in particular:

- i) The Strategic or business Plan as well as the management goals and annual budgets;
- ii) The investment and financing policy;
- iii) The design of the structure of the corporate group;

- iv) The corporate governance policy;
- v) The corporate social responsibility policy;
- vi) The policy for compensation and assessment of the performance of senior managers;
- vii) The risk control and management policy, as well as the periodic monitoring of internal information and control systems.
- viii) The dividend policy and the policy regarding treasury stock and, especially, the limits thereto.

See sections: C.1.14, C.1.16 and E.2

b) The following decisions:

- i) At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior managers, as well as their severance packages.
- ii) The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.
- iii) The financial information that the Company must periodically disclose publicly due to its status as listed company.
- iv) Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless approval thereof falls upon the shareholders at the General Meeting of Shareholders.
- v) The creation or acquisition of interests in special-purpose entities or entities registered in countries or territories regarded as tax havens, as well as any other transactions or operations of a similar nature whose complexity might impair the transparency of the group.

c) Transactions made by the company with directors, with significant shareholders or shareholders with Board representation, or with other persons related thereto ("related-party transactions").

However, Board authorization need not be required in connection with related-party transactions that simultaneously meet the following three conditions:

- 1st They are governed by standard-form agreements applied on an across-the-board basis to a large number of clients;
- 2nd They are conducted at prices or rates generally set by the party acting as supplier of the goods or services in question;
- 3rd The amount thereof is not higher than 1% of the annual revenues of the Company

It is recommended that related-party transactions be approved by the Board after favourable report of the Audit and Control Committee or, where appropriate, such other committee handling the same function; and that the directors affected thereby should neither exercise nor delegate their votes, and should be absent from the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the powers granted herein to the Board are conferred without the power of delegation, except for those mentioned under b) and c) above, which may, for urgent reasons, be adopted by the Executive Committee subject to subsequent ratification by the Board in plenary session.

See Sections D.1 and D.6

Complies Complies in part Explain

9. In order to operate effectively and in a participatory manner, the Board ideally is comprised of no less than five and no more than fifteen members.

See section: C.1.2

Complies Explain

10. Non-executive proprietary and independent directors are a vast majority on the Board and the number of executive directors is the minimum necessary number, bearing in mind the complexity of the corporate group and the percentage interest held by the executive directors in the Company's share capital.

See sections: A.3 and C.1.3.

Complies Complies in part Explain

11. Among non-executive directors, the relation between the number of proprietary directors and independent directors reflects the proportion existing between the share capital of the company represented by proprietary directors and the rest of its capital. This strict proportionality standard can be relaxed so that the weight of proprietary directors is greater than would correspond to the total percentage of the share capital that they represent:

1st In large cap companies, where few or no equity stakes attain the legal threshold as significant, but there are shareholders holding interests with a high absolute value.

2nd In case of companies with a plurality of shareholders represented on the Board but not otherwise related.

See sections: A.2, A.3 and C.1.3

Complies Explain

Imperial Tobacco Group, indirect holder of 70% of the share capital of the Company, is represented at the Board by four directors, in accordance with the Framework Agreement dated 12 June 2014, that governs the relations between both Companies. The Framework Agreement establishes the following, regarding the Board composition:

i) the number of members of the Board may not be less than ten nor greater than the maximum statutory limit of fifteen.

ii) the maximum number of Executive directors will be two.

iii) the number of Proprietary Directors representing the Controlling Shareholder on the Company Board will not exceed the number of Independent Directors by more than two, providing that other Proprietary Directors have not been appointed to represent shareholders other than the ITG Group. Nevertheless, if there are Proprietary Directors on the Company Board other than the ones appointed by ITG, ITG reserves the right to appoint new Directors, so that the number of the latter comprises the absolute majority of the members of the Board.

12 The number of independent directors represents at least one-third of the total number of directors.

See section: C.1.3

Complies Explain

As at 30 September 2014, there are three independent directors, in a Board with 10 members. Mr. Gregorio Marañón y Bertrán de Lis was a member of Altadis SAU Board until 4 June 2014; that's why he has been

included in the category of "Other External Directors".

After a year of his resignation from Altadis Board, and if all his other circumstances do not change, Mr. Gregorio Marañón will meet all the requirements to be considered an independent director, according to the Orden ECC/461/2013.

13. The status of each director is explained by the Board at the General Meeting of Shareholders at which the shareholders are to make or ratify their appointment and that such status is confirmed or reviewed, as the case may be, annually in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee. Said report also discloses the reasons for the appointment of proprietary directors at the proposal of shareholders controlling less than 5% of the share capital, as well as the reasons for not having accommodated formal petitions, if any, for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed.

See sections: C.1.3 and C.1.8

Complies Complies in part Explain

14. Where female directors are few or non-existent, the Board explains the reasons for this situation and the measures taken to correct it; and in particular, the Nominating Committee takes steps to ensure that, when new vacancies are filled:

- a) Recruitment processes do not have an implied bias that hinders the recruitment of female directors;
- b) The company deliberately seeks women with the target professional profile and includes them among the potential candidates.

See section: C.1.2., C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Complies Complies in part Explain Not applicable

15. The Chairman, being responsible for the effective running of the Board, ensures that directors receive adequate information in advance of Board meetings; promotes debate and the active involvement of directors during Board meetings; safeguards their rights to freely take a position and express their opinion; and, working with the chairmen of the appropriate committees, organizes and coordinates regular assessments of the Board and, where appropriate of the Chief Executive Officer.

See section: C.1.19 and C.1.41

Complies Complies in part Explain

16. Where the Chairman of the Board is also the chief executive officer, one of the independent directors is authorized to request the calling of a Board meeting or the inclusion of new items on the agenda; to coordinate and echo the concerns of non-executive directors; and to lead the Board's assessment of the Chairman.

See section: C.1.22

Complies Complies in part Explain Not applicable

17. The Secretary of the Board takes particular care to ensure that the Board's actions:

- a) Adhere to the letter and the spirit of laws and their implementing regulations, including those

approved by the regulatory authorities;

b) Comply with the Articles of Association and the Regulations of the General Meeting of Shareholders, the Board of Directors' Regulations and other regulations of the company;

c) Are informed by those good governance recommendations included in this Unified Code as the company has subscribed to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his/her appointment and removal are reported by the Nominating Committee and approved by the Board in plenary session; and that such appointment and removal procedures are set forth in the Board's Regulations

See section: C.1.34

Complies Complies in part Explain

18. The Board meets with the frequency required to perform its duties efficiently, in accordance with the calendar and agendas set at the beginning of the fiscal year, and that each Director is entitled to propose items of the agenda that were not originally included therein.

See sections: C.1.29

Complies Complies in part Explain

19. Directors' absences are limited to unavoidable cases and quantified in the Annual Corporate Governance Report. And when there is no choice but to grant a proxy, it is granted with instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies Complies in part Explain

20. Where directors or the Secretary express concerns about a proposal or, in the case of the directors, regarding the running of the company, and such concerns have not been resolved at a Board meeting, such concerns are recorded in the minutes at the request of the person expressing them.

Complies Complies in part Explain Not applicable

21. The Board in plenary session assesses the following on a yearly basis:

a) The quality and efficiency of the running of the Board;

b) On the basis of the report submitted by the Nomination and Remuneration Committee, the performance of their duties by the Chairman of the Board and by the chief executive officer;

c) The running of its Committees, on the basis of the report they submit;

See section: C.1.19 and C.1.20

Complies Complies in part Explain

22. All directors are able to exercise the right to request any additional information they require on matters within the Board's competence. Unless the Articles of Association or the Board provide otherwise, such requests are addressed to the Chairman or the Secretary of the Board.

See section: C.1.41

Complies Explain

23. All directors are entitled to call on the company for the advice they need to carry out their duties. The

company provides suitable channels for the exercise of this right, which, in special circumstances, may include external advice at the company's expense.

See section: C.1.40

Complies Explain

24. Companies organize induction programs for new Directors to rapidly and adequately acquaint them with the Company and its corporate governance rules. Directors are also offered refresher training programs when circumstances so advise.

Complies Complies in part Explain

The Board Regulations (Art. 22.3) state that the Company will provide necessary support to new Directors so that these may acquire swift and sufficient knowledge on the company as well as its corporate governance rules. Likewise, the Company may establish, if necessary, help programmes for Directors.

Until now, the Company has not established any help programme for Directors

25. Companies require that directors devote sufficient time and effort to perform their duties efficiently, and, as such:

- a) Directors inform the Nomination and Remuneration Committee of their other professional duties, in case they might detract from the necessary dedication;
- b) Companies lay down rules about the number of boards on which their directors may sit.

See sections: C.1.12, C.1.13 and C.1.17

Complies Complies in part Explain

26. The proposal for the appointment or re-election of directors that the Board submits to the shareholders at the General Meeting of Shareholders, as well as their interim appointment through the cooption system, are approved by the Board:

- a) On the proposal of the Nomination and Remuneration Committee, as regards independent directors;
- b) After report of the Nomination and Remuneration Committee, as regards the remaining directors.

See sections: C.1.3

Complies Complies in part Explain

27. Companies post the following information regarding directors on their websites, and keep such information updated:

- a) Professional and biographical profile;
- b) Other Boards of Directors of listed or unlisted companies on which they sit;
- c) Indication of the director's category, stating, as regards proprietary directors, the shareholder they represent or to whom they are related.
- d) Date of their first and subsequent appointments as a company director; and e) Shares held in the company and options thereon held by them.

Complies Complies in part Explain

28. Proprietary directors tender their resignation when the shareholder they represent sells its entire shareholding interest. The appropriate number of them does likewise when such shareholder reduces

its interest to a level that requires the reduction of the number of its proprietary directors.

See sections: A.2, A.3 and C.1.2

Complies Complies in part Explain

29 The Board of Directors does not propose the removal of any independent director prior to the expiration of the term, set in the Articles of Association, for which he/she was appointed, except where good cause is found by the Board upon a prior report of the Nomination and Remuneration Committee. In particular, good cause shall be deemed to exist whenever the director has failed to perform the duties inherent in his /her position or comes under any of the circumstances leading him/her to no longer being independent, pursuant to the provisions of Order EEC/461/2013. The removal of independent directors may also be proposed as a result of Tender Offers, mergers or other similar corporate transactions that entail a change in the share capital structure of the Company, when such changes in the structure of the Board follow from the proportionality standard mentioned in Recommendation 11.

See section: C.1.2, C.1.9 and C.1.27

Complies Explain

30. Companies establish rules obliging directors to report and, if appropriate, to resign in those instances as a result of which the credit and reputation of the company might be damaged and, in particular, they require that such directors report to the Board any criminal charges brought against them, and the progress of any subsequent proceedings.

If a director is indicted or tried for any of the crimes described in Section 213 of the Act on Capital Companies, the Board examines the matter as soon as practicable and, in view of the particular circumstances thereof, decides whether or not it is appropriate for the director to continue to hold office. And the Board provides a substantiated account thereof in the Annual Corporate Governance Report.

See sections: C.1.42 and C.1.43

Complies Complies in part Explain

31. All directors clearly express their opposition when they feel that any proposed resolution submitted to the Board might be contrary to the best interests of the company. And in particular, independent directors and the other directors not affected by the potential conflict of interest do likewise in the case of decisions that could be detrimental to the shareholders lacking Board representation. Where the Board adopts material or reiterated resolutions about which a director has expressed serious reservations, such director draws the pertinent conclusion and if he/she chooses to resign, sets out the reasons in the letter referred to in the next Recommendation. This Recommendation also applies to the Secretary of the Board, even if he/she is not a director.

Complies Complies in part Explain Not applicable

32. Directors who give up their place before their tenure expires, through resignation or otherwise, explain the reasons in a letter sent to all members of the Board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the withdrawal is explained in the Annual Corporate Governance Report.

See section: C.1.9

Complies Complies in part Explain Not applicable

33. Remuneration paid by means of delivery of shares in the company or companies that are members of the group, share options or instruments indexed to the price of the shares, and variable compensation linked to the company's performance or pension schemes is confined to executive directors. This recommendation shall not apply to the delivery of shares when such delivery is subject to the condition that the directors hold the shares until they cease to hold office as directors.

Complies Explain

34. The remuneration of non-executive directors is such as is necessary to compensate them for the dedication, qualifications and responsibility required by their position, but is not so high as to jeopardize their independence.

Complies Explain

35. The compensation linked to company results takes into account any qualifications included in the external auditor's report that reduce such earnings.

Complies Explain Not applicable

The Company does not have any internal rule in that sense, but in accordance with article 46.4 of the Board Regulations, the Board of Directors will ensure accounts are prepared in such a way that there is no place for exceptions on the auditor's behalf.

36. In the case of variable compensation, compensation policies include technical safeguards to ensure that such compensation reflects the professional performance of the beneficiaries thereof and not simply the general performance of the markets or of the industry in which the company does business or circumstances of this kind.

Complies Explain Not applicable

37 Where there is an Executive Committee (hereinafter, the "Executive Committee"), the breakdown of its members by director category is similar to that of the Board, and its secretary is the Secretary of the Board.

See sections: C.2.1 and C.2.6

Complies Complies in part Explain Not applicable

38. The Board is always kept informed of the matters dealt with and the resolutions adopted by the Executive Committee, and all members of the Board receive a copy of the minutes of the meetings of the Executive Committee.

Complies Explain Not applicable

39 In addition to the Audit Committee mandatory under the Stock Exchange Act, the Board of Directors forms a single Nomination and Remuneration Committee as a separate committee of the Board, or a Nomination Committee and a Remuneration Committee. The rules governing the make-up and operation of the Audit and Control Committee and the Nomination and Remuneration Committee or committees are set forth in the Board's Regulations, and include the following:

- a) The Board appoints the members of such Committees, taking into account the background, knowledge, qualifications and experience of the Directors and the responsibilities of each Committee, discusses its proposals and reports, and receives a report, at the first meeting of the full Board following the meetings of such committees, on their activities and the work.

- b) These Committees are formed exclusively of non-executive directors and have a minimum of three members. The foregoing is without prejudice to the attendance of executive directors or senior managers, when expressly resolved by the members of the Committee.
- c) The Chairmen of the Committee are independent directors.
- d) They may receive external advice, whenever they feel this is necessary for the discharge of their duties.
- e) Minutes are prepared of their meetings, and a copy sent to all Board members.

See Sections: C.2.1 and C.2.4

Complies Complies in part Explain

The Company complies with above sections a), b), d) and e). Regarding section c), see Recommendation nr 12.

40. Supervising compliance with internal codes of conduct and corporate governance rules is entrusted to the Audit and Control Committee, the Nomination and Remuneration Committee or, if they exist separately, to the Compliance or Corporate Governance Committee

See Sections C.2.3 and C.2.4

Complies Explain

41. The members of the Audit and Control Committee and, particularly, the Chairman thereof, are appointed taking into account their background, knowledge and experience in accounting, auditing and risk management matters.

Complies Explain

42. Listed companies have an internal audit function which, under the supervision of the Audit and Control Committee, ensures the smooth operation of the information and internal control systems.

See Sections: C.2.3

Complies Explain

43. The head of internal audit submits to the Audit and Control Committee his/her annual work plan; reports to it directly on any issues arising in the execution of such plan; and submits an activities report to it at the end of each fiscal year.

Complies Complies in part Explain

44. Risk control and management policy specifies at least:

- a) The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, including contingent liabilities and other off-balance sheet risks among financial or economic risks.
- b) The determination of the risk level the company sees as acceptable;
- c) Measures in place designed to mitigate the impact of the risks identified, should they materialize;
- d) The internal reporting and control systems to be used to monitor and manage the above risks, including contingent liabilities and off-balance sheet risks.

See section: E

Complies Complies in part Explain

45. It is incumbent on the Audit and Control Committee:

1st With respect to the internal control and reporting systems:

- a) To monitor the preparation and the integrity of the financial information relating to the company and, if appropriate, to the group, checking compliance with legal requirements, the appropriate demarcation of the scope of consolidation, and the correct application of accounting standards.
- b) To periodically review internal control and risk management systems so main risks are properly identified, managed and disclosed.
- c) To ensure the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of the internal audit service; propose the department's budget; receive regular reports on its activities; and verify that senior management takes into account the findings and recommendations of its reports.
- d) To establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate, anonymously, potentially significant irregularities within the company that they detect, in particular financial or accounting irregularities.

2nd With respect to the external auditor:

- a) To make recommendations to the Board for the selection, appointment, reappointment and replacement of the external auditor, and the terms of its engagement.
- b) To receive regular information from the external auditor on the audit plan and the results of the implementation thereof, and check that senior management takes its recommendations into account.
- c) To monitor the independence of the external auditor, to which end:
 - i) The company reports a change of auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements with the outgoing auditor and the reasons for the same.
 - ii) In the event of resignation of the external auditor, the Committee investigates the circumstances that may have given rise thereto.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies Explain

46. The Audit and Control Committee may cause any employee or officer of the company to appear before it, and even order their appearance without the presence of any other manager.

Complies Explain

47 The Audit and Control Committee reports to the Board, prior to the passing thereby of the relevant resolutions, on the following matters specified in Recommendation 8:

- a) The financial information that the Company must periodically make public due to its status as a listed company. The Committee should ensure that interim financial statements are prepared under the same accounting standards as the annual financial statements and, to this end, consider whether a limited review by the external auditor is appropriate.
- b) The creation or acquisition of interests in special-purpose entities or entities registered in countries

or territories considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

- c) Related-party transactions, unless such prior reporting duty has been assigned to another supervision and control committee.

See sections: C.2.3 and C.2.4

Complies Complies in part Explain

48. The Board of Directors endeavours to present the annual accounts to the shareholders at the Annual General S Meeting without reservations or qualifications in the auditor's report and, in the exceptional instances where they do exist, both the Chairman of the Audit and Control Committee and the auditors give a clear account to the shareholders of the content and scope of such reservations or qualifications.

See section: C.1.38

Complies Complies in part Explain

49. The majority of the members of the Nomination Committee –or of the Nomination and Remuneration Committee, if one and the same– are independent directors.

See sections: C.2.1

Complies Explain Not applicable

See Recommendation 12.

50. The Nomination and Remuneration Committee has the following duties, in addition to those stated in the earlier Recommendations:

- a) To assess the qualifications, background knowledge and duties and qualifications required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) To examine or organize, in the manner it deems appropriate, the succession of the Chairman and the chief executive and, if appropriate, make proposals to the Board for such succession to take place in an orderly and well-planned manner.
- c) To report on senior manager appointments and removals that the chief executive proposes to the Board.
- d) To report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See sections: C.2.4

Complies Complies in part Explain Not applicable

51. The Nomination and Remuneration Committee consults with the Company's Chairman and chief executive, especially on matters relating to executive directors. And that any board member may request that the Nomination and Remuneration Committee consider possible candidates to fill vacancies for the position of director, if it finds them suitably qualified.

Complies Complies in part Explain Not applicable

52. The Nomination and Remuneration Committee is responsible for the following duties, in addition to those set forth in the earlier recommendations:

a) To propose to the Board of Directors:

i) The compensation policy for directors and senior managers;

ii) The individual compensation of executive directors and other terms of their contracts.

iii) The basic terms and conditions of the contracts with senior managers.

b) To ensure compliance with the compensation policy set by the company.

See sections: C.2.4

Complies Complies in part Explain Not applicable

53. The Nomination and Remuneration Committee consults with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior managers.

Complies Explain Not applicable

H. OTHER INFORMATION OF INTEREST

1. If there is any other relevant aspect as regards corporate governance in the company or in group entities that has not been covered in this Report, but is necessary to include to provide more comprehensive and well grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

The Company was incorporated in May 13, 2014, and its shares were admitted to trading in July 14, 2014 (the Informative Prospectus was filed at the CNMV in June 25, 2014).

2. In this section, any other information, clarification or nuance may be included that is related to the previous sections of the report, to the extent that they are relevant and not reiterative. In particular, indicate if the company is subject to different legislation than the Spanish legislation in corporate governance matters and, where appropriate, include the information that the company is obligated to provide which is different to that required in this report.

3. The company may also indicate if it has voluntarily signed up to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing.

Compañía de Distribución Integral Logista, S.A.U. (Logista), Logista Italia S.p.A., Logista France SAS (all of them 100% subsidiaries of Compañía de Distribución Integral Logista Holdings, S.A.) have adopted Imperial Tobacco Group PLC Code of Conduct in January 2011.

By virtue of the agreement taken last July 18, 2014, by the Board of Directors of the Company, all internal policies (including the Code of Conduct) applicable to Logista, is also applicable to the Company, and to all companies belonging to the Group of Compañía de Distribución Integral Logista Holdings, S.A.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting of 19 November 2014

Indicate whether any Directors voted against or abstained in connection with the approval of this Report.

Yes

No

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. FOR THE YEAR ENDED 30 SEPTEMBER 2014

To the Directors of
COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.:

As requested by the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. ("the Entity") and in accordance with our proposal-letter of 15 September 2014, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Compañía de Distribución Integral Logista Holdings, S.A. for the year ended 30 September 2014, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying information relating to the ICFR system included in section F) of the accompanying Annual Corporate Governance Report (ACGR).

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the year ended 30 September 2014 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 5/2013 of 12 June 2013.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and by CNMV Circular 5/2013 of 12 June 2013, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

November 20, 2014

José Luis Aller
Partner

Certificate on the issuance of the financial statements

Financial Statements and Directors Report for the year ended 30 September 2014, have been formally prepared by the Board of Directors at its meeting on 19 November 2014 in order to be audited and approved by the Shareholders.

Corporate Governance Annual Report for the year ended 30 September 2014, which is part of Directors Report, is included below as a Directors Report separate section.

Financial Statements and Directors Report are set forth on 20 sheets, on the obverse only, all of which are signed by the Chairman and Secretary of the Board of Directors, who in witness whereof, have signed below:

D. Gregorio Marañón y Bertrán de Lis
Chairman

D. Luis Egido Gálvez
Chief Executive

D. Stéphane Lissner
Director

D^a. Cristina Garmendia Mendizábal
Director

D. Eduardo Zaplana Hernández-Soro
Director

Mr. John Matthew Downing
Director

Mr. Adam Britner
Director

Mr. David Ian Resnekov
Director

D. Nicholas James Keveth
Director

D. Rafael de Juan López
Director and Secretary of the Board

Leganés, 19 November 2014