Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 30 September 2014 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

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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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED 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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet at 30 September 2014 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2014").

The Directors' Responsibility for the Consolidated Financial Statements

The Parent's directors are responsible for the preparation of the accompanying consolidated financial statements so that they present fairly the equity, financial position and results of operations of the Group in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the directors of the Parent of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries at 30 September 2014, and the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

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

DELOITTE, S.L.

Registered in ROAC UNDER NO. S0692

José Luis Aller

20 November 2014

Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiares

Consolidated Financial Statements for the year ended 30 September 2014 prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Directors' 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 consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2014 AND 2013
(Thousands of Euros)

ASSETS	Note	30-09-2014	30-09-2013 (*)
NON-CURRENT ASSETS:			
Property, plant and equipment	6	213,437	242,732
Investment property		12,851	12,941
Goodwill	7	919,190	919,190
Other intangible assets	8	713,787	756,278
Investments in associates	9	38	36
Other non-current financial assets	10	9,407	12,010
Deferred tax assets	20	59,405	57,048
Total non-current assets		1,928,115	2,000,235
CURRENT ASSETS:			
Inventories	11	1,066,650	1,208,067
Trade and other receivables	12	1,769,196	1,560,090
Tax receivables	20	15,257	14,495
Other current financial assets	10	1,668,528	1,601,787
Cash and cash equivalents	13	32,372	149,907
Other current assets		6,785	9,869
Total current assets		4,558,788	4,544,215
NON-CURRENT ASSETS HELD FOR SALE		1,391	1,276
TOTAL ASSETS		6,488,294	6,545,726

EQUITY AND LIABILITIES	Note	30-09-2014	30-09-2013 (*)
EQUITY:			
Share capital	14	26,550	26,550
Share premium	15	942,148	178,814
Reserves of the Parent	15	(176)	7,172
Reorganisation reserves	15	(753,349)	-
Reserves at consolidated companies	16	142,676	138,882
Translation differences		180	137
Reserve for first-time application of IFRSs	15	19,950	19,950
Consolidated profit for the period		102,347	87,605
Interim dividend	15	(39,825)	-
Equity attributable to shareholders of the Parent		440,501	459,110
Minority interests	17	1,927	1,714
Total equity		442,428	460,824
NON-CURRENT LIABILITIES:			
Other financial non-current liabilities		4,940	4,943
Other non-current liabilities		300	526
Long-term provisions	19	55,278	161,180
Deferred tax liabilities	20	357,515	374,711
Total non-current liabilities		418,033	541,360
CURRENT LIABILITIES:			
Bank borrowings		2,623	3,729
Other current financial liabilities	21	32,560	115,943
Trade and other payables	22	981,540	1,037,598
Tax payables	20	4,537,675	4,321,421
Short-term provisions	19	18,068	10,154
Other current liabilities	23	55,367	54,697
Total current liabilities		5,627,833	5,543,542
TOTAL EQUITY AND LIABILITIES		6,488,294	6,545,726

The accompanying Notes 1 to 33 are an integral part of the consolidated balance sheet at 30 September 2014.

(*) It relates to the consolidated balance sheet of Compañía de Distribución Integral Logista, S.A.U. and Subsidiaries (see Note 1).

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 2013

(Thousands of Euros)

	Note	2014	2013 (*)
Revenue	25a)	9,506,567	9,862,814
Procurements		(8,470,554)	(8,851,304)
Gross profit-		**1,036,013**	**1,011,510**
Cost of logistics networks-			
Staff costs	25b)	(163,645)	(164,995)
Transport costs		(204,240)	(205,387)
Provincial sales office expenses		(69,755)	(71,261)
Depreciation and amortisation charge	6 and 8	(85,715)	(87,499)
Other operating expenses	25c)	(177,820)	(155,950)
Total cost of logistics networks		(701,175)	(685,092)
Commercial expenses-			
Staff costs	25b)	(41,445)	(42,270)
Other operating expenses	25c)	(25,438)	(25,885)
Total commercial expenses		(66,883)	(68,155)
Research expenses-		(2,675)	(3,397)
Head office expenses-			
Staff costs	25b)	(67,002)	(73,969)
Depreciation and amortisation charge	6 and 8	(3,759)	(4,670)
Other operating expenses	25c)	(35,878)	(35,663)
Total head office expenses		(106,639)	(114,302)
Share of results of companies	9	(1,206)	(498)
Net loss on disposal and impairment of non-current assets	6 and 8	(16,143)	(14,404)
Other expenses		(2,328)	(2,511)
Profit from operations-		**138,964**	**123,151**
Finance income	25e)	21,771	7,374
Finance costs	25f)	(7,105)	(11,589)
Profit before tax-		**153,630**	**118,936**
Income tax	20	(54,071)	(30,329)
Profit for the period from continuing operations-		**99,559**	**88,607**
Result for the period from discontinued operations net of tax		2,959	(1,022)
Profit for the period-		**102,518**	**87,585**
Attributable to-			
Shareholders of the Parent		**102,347**	**87,605**
Minority interests	17	171	(20)
Basic earnings per share	5	**1.40**	**1.20**

The accompanying Notes 1 to 33 are an integral part of the consolidated income statements for 2014.

(*) It relates to the consolidated income statement of Compañía de Distribución Integral Logista, S.A.U. and Subsidiaries (see Note 1).

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 2013

(Thousands of Euros)

	2014	2013 (*)
Profit for the year	**102,518**	**87,585**
Net gain (loss) on available for sale financial assets during the year	-	-
Net gain (loss) on cash flow hedging instruments available for sale financial assets during the year	-	-
Net actuarial gain (loss) recognised directly in equity (Note 19)	(1,366)	-
Foreign exchange rate changes	43	(29)
Net gain (loss) on taxes recognised directly in equity	-	-
Total other comprehensive income	**(1,323)**	**(29)**
Total comprehensive income fot the year	**101,195**	**87,556**
Attributable to-		
Shareholders of the Parent	101,024	87,576
Minority interests	171	(20)
Total atributable	**101,195**	**87,556**

The accompanying Notes 1 to 33 are an integral part of the consolidated statement of comprehensive income for 2014.

(*) It relates to the consolidated statement of comprehensive income of Compañía de Distribución Integral Logista, S.A.U. and Subsidiaries (see Note 1).

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 2013

(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Translation Differences	Reserve for First-Time Application of IFRSs	Profit for the Year	Interim Dividend	Equity attributable to shareholders of the Parent	Minority Interests	Total Equity
Balance at 30 September 2012 (*)	26,550	178,814	6,876	-	131,516	166	19,950	82,186	-	446,058	1,812	447,870
Net profit for 2013 attributable to the Parent	-	-	-	-	-	(29)	-	87,605	-	87,576	-	87,576
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	(20)	(20)
Income and expenses recognised in the period	-	-	-	-	-	(29)	-	87,605	-	87,576	(20)	87,556
I. Transactions with Shareholders:												
Distribution of profit:												
To reserves	-	-	296	-	7,550	-	-	(7,846)	-	-	-	-
Dividends (Note 15)	-	-	-	-	-	-	-	(74,340)	-	(74,340)	-	(74,340)
Sale of minority interests	-	-	-	-	-	-	-	-	-	-	(17)	(17)
II. Business combination (Note 32)	-	-	-	-	-	-	-	-	-	-	(61)	(61)
III. Other changes	-	-	-	-	(184)	-	-	-	-	(184)	-	(184)
Balance at 30 September 2013 (*)	26,550	178,814	7,172	-	138,882	137	19,950	87,605	-	459,110	1,714	460,824
Net profit for 2014 attributable to the Parent	-	-	-	-	-	43	-	102,347	-	102,390	-	102,390
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	171	171
Actuarial losses (Note 19)	-	-	-	-	(1,366)	-	-	-	-	(1,366)	-	(1,366)
Income and expenses recognised in the period	-	-	-	-	(1,366)	43	-	102,347	-	101,024	171	101,195
I. Transactions with Shareholders:												
Distribution of profit:												
To reserves	-	-	2,753	-	5,202	-	-	(7,955)	-	-	-	-
Dividends (Note 15)	-	-	-	-	-	-	-	(79,650)	-	(79,650)	-	(79,650)
Increase/Decrease arising from reorganisation (Note 15)	-	763,334	(10,101)	(753,349)	-	-	-	-	-	(116)	-	(116)
Interim dividend (Note 15)	-	-	-	-	-	-	-	-	(39,825)	(39,825)	-	(39,825)
Acquisition of non-controlling interests (Note 17)	-	-	-	-	(42)	-	-	-	-	(42)	42	-
Balance at 30 September 2014	26,550	942,148	(176)	(753,349)	142,676	180	19,950	102,347	(39,825)	440,501	1,927	442,428

The accompanying Notes 1 to 33 are an integral part of the consolidated statement of changes in equity for 2014.

(*) It relates to the consolidated statement of changes in equity of Compañía de Distribución Integral Logista, S.A.U. and Subsidiaries (see Note 1).

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2014 AND 2013

(Thousands of Euros)

	Note	2014	2013 (*)
1. OPERATING ACTIVITIES:			
Consolidated profit before tax from continuing operations		**153,630**	**118,936**
Adjustments for-			
Result of companies accounted for using the equity method		1,206	498
Depreciation and amortisation charge	6 and 8	90,118	92,169
Impairment losses	6 and 8	15,501	10,876
Provisions recognised/ (reversed)		(13,937)	30,098
Proceeds from disposal of non-current assets	6 and 8	567	(88)
Other adjustments to profit		-	9,312
Financial profit		(14,666)	4,215
Adjusted profit		**232,419**	**266,016**
Net change in assets / liabilities-			
(Increase)/Decrease in inventories		137,733	(18,481)
(Increase)/Decrease in trade and other receivables		(210,897)	73,823
(Increase)/Decrease in other non current assets		-	(197)
Increase/(Decrease) in trade payables		(56,058)	(22,209)
Increase/(Decrease) in other current liabilities		182,813	(4,930)
Increase (Decrease) in other non-current liabilities		(56,212)	(37,374)
Income tax paid		(56,014)	(35,413)
Finance income and costs		7,666	(4,215)
Total net cash flows from operating activities		**181,450**	**217,020**
2. INVESTING ACTIVITIES:			
Net investment in property, plant and equipment	6	(19,166)	(24,737)
Addition to intangible assets	8	(15,944)	(11,360)
Proceeds from financial divestments and other current and non-current financial assets		(63,782)	(98,229)
Sale of non-current assets held for sale		4,100	239
Total net cash flows from investing activities		**(94,792)**	**(134,087)**
3. FINANCING ACTIVITIES:			
Dividends paid (-)	15	(119,475)	(74,340)
Changes in current borrowings	21	(84,489)	(33,306)
Changes in non-current borrowings		(229)	(174)
Total net cash flows from financing activities		**(204,193)**	**(107,820)**
4. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(117,535)**	**(24,887)**
Cash and cash equivalents at beginning of year		**149,907**	**46,266**
Cash incorporated by the additions to the scope of consolidation	32	-	128,528
Net change in cash and cash equivalents during the year		(117,535)	(24,887)
Total cash and cash equivalents at end of year		**32,372**	**149,907**

The accompanying Notes 1 to 33 are an integral part of the consolidated cash flow statement for 2014.

(*) It relates to the consolidated statement of cash flows of Compañía de Distribución Integral Logista, S.A.U. and Subsidiaries (see Note 1).

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 33). In the event of a discrepancy, the Spanish-language version prevails.

Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiares

Notes to the Consolidated Financial Statements for the year ended 30 September 2014 Prepared in accordance with IFRSs as adopted by the EU

1. General information on the Group

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 Único Altadis S.A.U., a company belonging to the Imperial Tobacco Group PLC. 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 (see Note 2.4).

The reporting period of most of the Group companies starts on 1 October of each year and ends on 30 September of the following year. The twelve-month period ended 30 September 2013 will hereinafter be referred to as "2013", the period ended 30 September 2014 as "2014", and so on.

The Company has registered office at Polígono Industrial Polvoranca, calle Trigo, no. 39, Leganés (Madrid), being the Parent of the Group, the operating company of which is Compañía de Distribución Integral Logista, S.A.U.

The Group, a distributor and logistics operator, provides various distribution channels with a wide range of value added products and services, including tobacco and related tobacco 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 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.

Compañía de Distribución Integral Logista Holdings, S.A. is the head of a group of domestic and foreign subsidiaries that engage in various business activities and which compose, together with Logista Holdings S.A., the Logista Group ("the Group"). In addition to its own individual financial statements, Logista Holdings, S.A. also prepares consolidated financial statements for the Group, including its interests in joint ventures and investments in associates.

A detail of the investees included in the scope of consolidation comprising the Logista Group at 30 September 2014 and 2013 is provided in Appendices I and II, which includes, inter alia, the percentage and cost of the ownership interest held by the Parent and the line of business, company name and registered office of each investee.

In turn, Altadis, S.A.U., the majority shareholder of the 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 Limited Group PLC for 2013 were formally prepared by its directors at the Board of Directors meeting held on 5 November 2013.

2. Basis of presentation of the financial statements and basis of consolidation

2.1 Authorisation for issue of the consolidated financial statements

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

a) The Spanish Commercial Code and all other Spanish corporate law.

b) International Financial Reporting Standards (IFRS), as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on Tax, Administrative, Labour and Social Security Measures.

c) All other applicable Spanish accounting legislation.

The accompanying consolidated financial statements, which were obtained from the accounting records of the Company and of its subsidiaries, are presented in accordance with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for 2014. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 19 November 2014. The directors of Compañía de Distribución Integral Logista Holdings, S.A. will submit these consolidated financial statements for approval by the Shareholders, and it is considered that they will be approved without any changes.

The consolidated financial statements for 2013 were approved by the sole shareholder of Compañía de Distribución Integral Logista, S.A.U., the Group's Parent at the time, on 25 February 2014, and were filed at the Mercantile Registry of Madrid.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2014 are summarised in Note 4.

2.2 Standards and interpretations effective in the current period

In the year ended 30 September 2014 the following standards, amendments to standards and interpretations came into force, which, if applicable, were applied by the Group in the preparation of the consolidated financial statements:

Standards and changes to standards:		Mandatory application for periods beginning from
Modification of IAS 12 – Income Taxes – Deferred taxes relating to investment property (published in December 2010)	Provides guidance on the calculation of deferred taxes arising on investment property measured using the fair value model in IAS 40.	1 January 2013
IFRS 13 - Fair Value Measurement (published in May 2011)	Establishes the framework for fair value measurements	1 January 2013
Amendment to IAS 1 – Presenting Comprehensive Income (published in May 2011)	Minor amendment to the presentation of other comprehensive income	1 January 2012

Standards and changes to standards:		Mandatory application for periods beginning from
Amendment of IAS 19 – Employee Benefits (published in June 2011)	The amendments mainly affect defined benefit plans, as one of the fundamental changes is the elimination of the "corridor approach".	1 January 2013
Amendment of IFRS 7 – Financial instruments: Disclosures – Offsetting financial assets and liabilities (published in December 2011)	Introduces new disclosures on the offsetting of financial assets and financial liabilities under IAS 32	1 January 2013
Improvements to IFRSs 2009-2011 Cycle (published in May 2012)	Minor amendments to certain standards	1 January 2013
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (published in October 2011)	The IFRS Interpretations Committee deals with the accounting treatment of the waste removal costs incurred in surface mining activity.	1 January 2013

Based on an assessment made by the Parent's directors of the main effects of the application of the aforementioned standards on the accompanying consolidated financial statements, it was concluded that they are not material.

2.3 *Standards and interpretations issued but not yet in force*

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the IASB but had not become effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had yet to be endorsed by the European Union:

Standards and modifications thereof:		Mandatory application for periods beginning from
IFRS 10 – Consolidated Financial Statements (published in May 2011)	Replaces the current consolidation requirements of IAS 27.	1 January 2014
IFRS 11 – Joint Arrangements (published in May 2011)	Replaces the current consolidation requirements of IAS 31.	1 January 2014
IFRS 12 – Disclosure of interests in other entities (published in May 2011)	Single standard that sets out disclosures related to interests in subsidiaries, associates, joint ventures and non-consolidated entities	1 January 2014

Standards and modifications thereof:		Mandatory application for periods beginning from
IAS 27 – Separate Financial Statements (Revised) (published in May 2011)	The standard is revised because, following the issuance of IFRS 10, it will now only include the separate financial statements of an entity	1 January 2014
IAS 28 (revised) – Investments in Associates and Joint Ventures (published in May 2011)	Simultaneous revision related to the issuance of IFRS 11 Joint Arrangements	1 January 2014
Transition rules: Amendments to IFRS 10, 11 and 12 (published in June 2012)	Clarification of the transition rules of these standards	1 January 2014
Investment entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (published in October 2012)	Exception in consolidation for parent companies whose businesses qualify as investment entities	1 January 2014
Amendment to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (published in December 2011)	Further clarifications of the rules for offsetting financial assets and financial liabilities of IAS 32.	1 January 2014
Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (published in May 2013)	Clarifies when certain disclosures are required and broadens those required when recoverable amount is based on fair value less costs of disposal	1 January 2014
Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (published in June 2013)	The amendments determine in which cases and under what criteria the novation of a derivative does not make the interruption of hedge accounting necessary.	1 January 2014
IFRIC 21 Levies (published in May 2013)	Interpretation on when to recognise a liability for levies charged for participation by an entity in an activity on a specified date.	17 June 2014
IFRS 9 – Financial Instruments: Classification and Measurement (published in November 2009 and October 2010) and subsequent amendments to IFRS 9 and IFRS 7 on effective date and transition disclosures (published in December 2011) and hedge accounting and other amendments (published in November 2013) (a)	Replaces the requirements for classification and measurement of financial assets and financial liabilities, derecognitions and hedge accounting of IAS 39.	Not defined
IFRS 15 – Revenue from Contracts with Customers (published in May 2014) (a)	New standard on revenue recognition (replaces IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31)	1 January 2017
Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (published in November 2013) (a)	The amendment allows these contributions to be recognised as a reduction in the service cost in the period in which payment for the related service is made if certain requirements are met	1 July 2014
Improvements to the IFRS 2010-2012 Cycle and 2011-2013 Cycle (published in December 2013) (a)	Minor amendments to certain standards	1 July 2014
Amendments to IAS 16 and IAS 38 - Acceptable Methods of Depreciation and Amortisation (published in May 2014) (a)	Clarifies acceptable methods of depreciation of property, plant and equipment and amortisation of intangible assets.	1 January 2016
Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (published in May 2014) (a)	Specifies how to recognise acquisitions of interests in jointly controlled operations whose activity constitutes a business	1 January 2016

(a) Standards not yet adopted by the European Union at the date of preparation of these consolidated financial statements.

The assessment made by the Parent's directors of the main effects that the application of the aforementioned standards might have on the accompanying consolidated financial statements is as follows:

- *IFRS 10, Consolidated Financial Statements*

The main new feature introduced by IFRS 10 is the change to the definition of control which solves the current coexistence of the dual control model in IAS 27 with the risks and rewards model in SIC 12. The new definition of control sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. The new definition also covers the situation commonly known as "de facto control" in which the entity may retain control even without holding majority voting rights, a case not explicitly dealt with by the standards currently in force.

The Group has assessed the impact of the application of this standard and, since the relations with the investees are based mainly on voting rights without any special circumstances to be taken into account, it considers that the present conclusions will be maintained and the transition to this standard will take place without difficulty.

- *IFRS 11 - Joint Arrangements*

The main change envisaged by IFRS 11 with respect to its predecessor is the accounting treatment of jointly controlled entities. This type of arrangement must always be reported using the equity method (in contrast to the current option granted by IAS 31 of choosing between equity accounting or proportionate consolidation). In this regard, IAS 31 also allowed for this accounting option if the arrangement was structured through a separate legal entity, something no longer relevant under the analytical approach of IFRS 11, which is based on the existence of a separate vehicle, whether or not legally independent.

The Group is assessing the impact of the application of this standard and concludes that its entry into force will not have a material effect on the consolidated financial statements.

- *IFRS 12, Disclosure of Interests in Other Entities*

IFRS 12 is a disclosure standard that groups together all the disclosure requirements for interests in other entities (whether these be subsidiaries, associates, joint arrangements or other interests) and includes new disclosure requirements.

Accordingly, its entry into force will foreseeably give rise to an increase in the disclosures that the Group has been making, i.e., those currently required for interests in other entities and other investment vehicles.

2.4 Information relating to 2013

As required by IAS 1, the information relating to 2013 contained in these notes to the consolidated financial statements is presented with the information relating to 2014 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2013.

As indicated in Note 1, as part of the offering for shares which took place on 14 July 2014, Altadis, S.A.U., as the sole shareholder of the then Parent of the Logista Group (Compañía de Distribución Integral Logista, S.A.U.) decided to create a holding company known as Compañía de Distribución Integral Logista Holdings, S.A. (formed on 13 May 2014) to which it made a non-monetary contribution of the shares of the former to subscribe in full a capital increase carried out by the latter. As a result, on 4 June 2014 Compañía de Distribución Integral Logista Holdings, S.A. became the Parent of the Logista Group.

The Parent's directors, following an assessment of the effects of this reorganisation, concluded that it had no effect whatsoever on the organisation or the nature of the Group's activities or management or the control of its governing bodies. Accordingly, in conformity with the regulatory financial reporting framework applicable to the Group, in preparing these consolidated financial statements for 2014 the Parent's directors considered that in spite of the corporate reorganisation described above there is continuity of the reporting entity constituted by the Logista Group, for which reason the information relating to the year ended 30 September 2014 comprises the transactions carried out in the year then ended (even though the Parent was incorporated after the commencement of that year), and comparative information for the year ended 30 September 2013 is presented, taken from the consolidated financial statements of Compañía de Distribución Integral Logista, S.A.U. and Subsidiaries, the then Logista Group, for 2013.

2.5 Presentation currency

These consolidated financial statements are presented in euros since this is the currency of the primary economic environment in which the Group operates. Transactions in currencies other than the euro are recognised in accordance with the policies described in Note 4.14.

2.6 Responsibility for the information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors.

In preparing the consolidated financial statements for 2014, estimates were made by the Group'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 assessment of possible impairment losses on certain assets.
- The assumptions used in the actuarial calculations of the pension liabilities and other obligations to employees.
- The useful life of the property, plant and equipment and intangible assets.
- The measurement and impairment of goodwill and of certain intangible assets.
- The market value of certain assets.
- The calculation of the required provisions.
- The measurement and calculation of deferred tax assets and liabilities.

Although these estimates were made on the basis of the best information available at 2014 year end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.7 Basis of consolidation

2.7.1 Subsidiaries

Subsidiaries are defined as companies included in the scope of consolidation which the Parent manages directly or indirectly because it holds a majority of the voting rights in their representation and decision-making bodies or over which it has the capacity to exercise control.

The financial statements of the subsidiaries are fully consolidated. Accordingly, all material balances and transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The share of minority interests of the equity and profit of the Group is presented under "Minority Interests" in the consolidated balance sheet and under "Profit/Loss for the Year Attributable to Minority Interests" in the consolidated income statement, respectively.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or until the date of disposal, as appropriate.

2.7.2 Joint ventures and joint operations

"Joint ventures" are deemed to be ventures that are managed jointly by the Parent and third parties unrelated to the Group, where neither party can exercise greater control than the other. The financial statements of the joint ventures are proportionately consolidated.

The assets and liabilities assigned to jointly controlled operations (unincorporated temporary joint ventures, UTEs) or those controlled jointly with other venturers are presented by recognising in its balance sheet the share corresponding to it, in proportion to its ownership interest, of the jointly controlled assets and of the jointly incurred liabilities, classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items. In addition, the proportional part corresponding to the Group of the related items of the joint venture is included in the statement of changes in equity and the statement of cash flows.

Where necessary, adjustments are made to the financial statements of these companies to adapt the accounting policies used to those applied by the Group.

2.7.3 Associates

Associates are companies over which the Parent is in a position to exercise significant influence. In general, significant influence is presumed to exist when the Group's percentage of (direct or indirect) ownership exceeds 20% of the voting rights, provided that it does not exceed 50%.

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations.

In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate's capital.

Where necessary, adjustments are made to the financial statements of these companies to adapt the accounting policies used to those applied by the Group.

If as a result of losses incurred by an associate its equity were negative, the investment should be presented in the Group's consolidated balance sheet with a zero value, unless the Group is obliged to give it financial support, in which case the related provision would be recorded.

2.7.4 Translation of foreign currency

The various items in the balance sheets and income statements of the foreign companies included in consolidation were translated to euros as follows:

- Assets and liabilities were translated to euros at the official year-end exchange rates.
- Share capital and reserves were translated to euros at the historical exchange rate.
- Income statement items were translated to euros at the average exchange rate for the year.

The exchange differences arising from the use of these criteria were included in equity under "Reserves at Consolidated Companies - Translation Differences". These translation differences will be recognised as income or expenses in the period in which the investment that gave rise to them is realised or disposed of in full or in part.

In 2014 all of the Logista Group companies presented their financial statements in euros, except for Compañía de Distribución Integral Logista Polska, Sp. z.o.o. and Logesta Polska Sp., z.o.o. (both located in Poland) and Logesta Maroc, S.A. (located in Morocco).

2.7.5. Changes in the scope of consolidation and in the ownership interests

The most significant changes in the scope of consolidation in 2014 and 2013 that affect the comparison between years were as follows:

1. **Main changes in the scope of consolidation in 2014**

Additions or acquisitions

On 10 December 2013, the subsidiary company Logista France, S.A.S. acquired the remaining 15% of the shares of Strator, S.A.S. in a deal worth 1 euro, thereby becoming the full owner of its share capital.

- On 9 May 2014, the subsidiary company Compañía de Distribución Integral de Publicaciones Logista, S.L.U. partook in the capital increase of its investee company DIMA Distribución Integral, S.L. for the sum of EUR 400 thousand, whereupon its stake fell to 12.56%.

On 22 September 2014, the General Shareholders Meeting of the subsidiary company Logesta Gestión de Transporte, S.A.U. approved the merger by absorption between the companies Logesta Gestión de Transporte, S.A.U. (surviving company) and Logesta Noroeste, S.A.U. (absorbed company). Thus, Logesta Gestión de Transporte, S.A.U. absorbs Logesta Noroeste, S.A.U., which is dissolved without liquidation of assets, with the former acquiring all its assets by virtue of universal succession and likewise subrogating the rights and obligations of the latter company in accordance with the system set forth in article 49 of Law 3 of 3 April 2009 (*Ley 3/2009*), on corporate restructurings. The accounting date of this merger was 1 October 2013. This transaction has had no impact on a consolidated level.

2. **Main changes in the scope of consolidation in 2013**

Additions or acquisitions

On 9 October 2012, the Parent acquired all the shares of Altadis Distribution France, S.A.S. from Seita, S.A.S., a company also belonging to the Imperial Tobacco Limited Group. The transaction price was EUR 920,162 thousand, which were paid through the transfer of the same amount from the Parent's account receivable from Altadis, S.A.U. (see Note 32)

Disposals

On 8 March 2013, the subsidiary Compañía de Distribución Integral de Publicaciones Logista, S.L.U. entered into an agreement to sell all the shares it held in Logista Portugal Distribuçao de Publicaçoes, S.A. to Distrinews, S.A., which does not form part of the Imperial Tobacco Limited Group, for an amount of EUR 1. Also, Compañía de Distribución Integral de Publicaciones Logista, S.L.U. contributed to the buyer an amount of EUR 2,242 thousand, to offset the equity deficit of the company disposed of, and a non- refundable loan of EUR 3,000 thousand. The net loss on the transaction for consolidation purposes amounted to EUR 3,580 thousand, which were recognised under "Net loss on disposal and impairment of non-current assets".

On 9 January 2013, the subsidiary Société Allumettière Française, S.A.S., a subsidiary of Logista France, S.A.S., entered into an agreement to sell all its shares in RP Diffusion, S.A.S. for EUR 239 thousand. The net loss incurred by RP Diffusion, S.A.S. in 2013 until its sale amounts to EUR 422 thousand, which have been recognized under "Loss for the Year from Discontinued Operations Net of Tax"

2.8 Materiality

In preparing these consolidated financial statements the Group 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 IFRS Conceptual Framework.

3. Allocation of loss of the Parent

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

4. Accounting principles and policies and measurement bases

The principal measurement bases and accounting principles and policies applied in preparing the consolidated financial statements for 2014 in accordance with the IFRSs in force at the date of the related financial statements are described below. None of the standards were applied early.

4.1 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less any accumulated depreciation.

The upkeep and maintenance costs of the various items of property, plant and equipment are recognised in the income statement as incurred. The amounts invested in improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work on non-current assets is measured at accumulated cost (external costs plus in-house costs, determined on the basis of direct and general manufacturing costs.

The consolidated companies depreciate their property, plant and equipment using the straight-line method, applying annual depreciation rates determined on the basis of the years of estimated useful life of the related assets. The depreciation rates applied are as follows:

	Annual Depreciation Rates (%)
Buildings	2-4
Plant and machinery	10-12
Other fixtures, tools and furniture	8-16
Other items of property, plant and Equipment	12-16

Land is considered to have an indefinite useful life and, therefore, is not depreciated.

4.2 Investment property

Investment property relates to investments in land and buildings held to earn rentals. Investment property is stated at the lower of cost, less any accumulated depreciation, and market value. Depreciation is recognised using the same methods as those used for items of the same category classified under "Property, Plant and Equipment" (see Note 4.1).

The Group determines periodically the market value of its investment property by reference to the prices of comparable transactions, in-house studies, external appraisals, etc.

4.3 Goodwill

In the company acquisitions performed, the excess of the cost of the business combination over the interest acquired in the acquisition-date net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

Goodwill is only recognised when it has been acquired for consideration.

Goodwill arising from the acquisition of an associate is recognised as an increase in the value of the investment.

Goodwill is not amortised. Accordingly, at the date of each consolidated balance sheet the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell. These valuation adjustments are recognised as an expense in the income statement. If there is any impairment, the goodwill is written down and the impairment loss is recognised. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

To perform the aforementioned impairment test, the goodwill is allocated in full to one or more cash-generating units.

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.

The Group has defined as cash-generating units, based on the actual management of the Group's operations, each of the relevant business operations carried out in the main geographical areas (see Note 26).

The Group uses the budgets and business plans, which generally cover a three-year period, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are built are based on each type of business and the experience with and recognition of the performance of each of the markets in which the Group operates (see Note 7).

The estimated cash flows are extrapolated to the period not covered by the business plan using a zero growth rate and an expense structure that is similar to that of the last year of the business plan.

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the various markets to calculate the present value of the estimated cash flows ranged from 7.50% to 9.90% in 2014 (see Note 7).

4.4 Intangible assets

Intangible assets with finite useful lives are amortised using the straight-line method, applying annual amortisation rates determined on the basis of the years of the estimated useful lives of the related assets.

Intangible assets comprises:

Trademarks

"Trademarks" includes the acquisition cost of the rights over certain trademarks and/or the value assigned thereto on consolidation (see Note 8).

The Group considers "Trademarks" as assets with indefinite useful lives.

Concessions, rights and licences

"Concessions, Rights and Licences" includes mainly the amounts paid to acquire certain concessions and licences. The assets included in this account are amortised on a straight-line basis over the term thereof.

Also, as a result of allocating the purchase price of Altadis Distribution France, S.A.S. to the identifiable assets and liabilities of that company, the Group recognised in its consolidated balance sheet the agreements entered into by that subsidiary with the main tobacco producers for the distribution of their products in France (see Note 32). The aforementioned distribution agreements are depreciated on a straight-line basis over 15 years.

Computer software

Computer software is recognised at acquisition cost, including the implementation costs billed by third parties, and is amortised on a straight-line basis over a period of three to five years. Computer software maintenance costs are expensed currently.

Research and development expenditure

Research and development expenditure is only capitalised when it is specifically itemised by project, the related costs can be clearly identified and there are sound reasons to foresee the technical success and economic and commercial profitability of the related project. Assets thus generated are depreciated on a straight-line basis over their years of useful life (over a maximum period of five years).

4.5 Impairment losses on property, plant and equipment and intangible assets

The Group assesses each year the possible existence of permanent losses in value requiring it to reduce the carrying amounts of its property, plant and equipment and intangible assets, if their recoverable amounts are below their carrying amounts.

The recoverable amount is determined using the same methods as those employed in testing for goodwill impairment.(see Note 4.3)

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 related write-down is recognised through profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the new recoverable amount, which may not exceed the carrying amount that would have been determined had no impairment loss been recognised.

4.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Group, which usually has the option to purchase the assets at the end of the lease under the terms and conditions agreed on execution thereof. All other leases are classified as operating leases.

4.6.1 Finance leases

In cases where the Company acts as lessor, the Group recognises an asset and the corresponding liability in the balance sheet, at the inception of the finance lease, at the present value of the future minimum lease payments designated as rent in the agreement. To calculate the present value of the lease payments the interest rate stipulated in the finance lease is used.

The cost of assets acquired under finance leases is presented in the consolidated balance sheet and is depreciated on the basis of the nature of the leased assets under the same methods as those applied to similar items.

Finance charges are recognised over the lease term on a time proportion basis.

4.6.2 Operating leases

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

When the Group acts as the lessor, it recognises the operating lease income on a straight-line basis. The amount to be recognised on a straight-line basis is deemed to be the total minimum rental income forecast over the term of the contract, in accordance with the agreed terms and conditions. These assets are depreciated using a policy consistent with the lessor's normal depreciation policy for similar items for own use.

When the Group acts as the lessee, lease costs are recognised in the income statement on a straight-line basis, in accordance with the policies described above.

4.7 Non-current assets held for sale

Non-current assets are classified as held for sale if it is considered that their carrying amount will be recovered through a sale transaction. Assets are classified under this heading only when the sale is highly probable and the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

The depreciation of non-current assets held for sale is discontinued when they are classified as such. At the date of each consolidated balance sheet the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

4.8 Financial instruments

4.8.1 Financial assets

Financial assets are recognised in the consolidated balance sheet on the date of acquisition at fair value and are classified as:

Trade and other receivables

Trade and other receivables are measured at amortised cost less any recognised impairment losses, which are estimated based on the solvency of the debtor and the age of the receivables.

Other current and non-current financial assets

"Other Current and Non-Current Financial Assets" include the following investments:

1. Current and non-current loans granted
2. Guarantees

3. Deposits and other financial assets

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

The changes in the amortised cost of the assets included under "Other Current and Non-Current Financial Assets" arising from accrued interest or premiums or from the recognition of impairment are recognised in the income statement.

Guarantees are measured at the amount paid which does not differ substantially from the fair value thereof.

Cash and cash equivalents

Cash consists of cash and demand deposits at banks. Cash equivalents are short-term investments with a maturity of three months that are not subject to a significant risk of changes in value.

The Group 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.

4.8.2 Financial liabilities

Bank borrowings

Bank loans are recognised at the amount received, net of arrangement costs and commissions. These loan arrangement costs and finance charges are recognised in the income statement using the accrual method and on a time proportion basis and are added to the carrying amount of the liability, to the extent that they are not settled, in the period in which they arise.

Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost.

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

4.9 Inventories

In general, the Group companies measure inventories at the lower of the price of the most recent invoice, which does not differ significantly from applying the FIFO formula (first-in, first-out), including in the case of tobacco products, in accordance with the legislation applicable in each country, the excise duties chargeable as soon as they are accrued, and net realisable value.

The Group recognises period provisions for the decline in value of inventories in order to adjust the value of those whose cost exceeds net realisable value. These valuation adjustments are recognised as an expense in the consolidated income statement.

4.10 Current/Non-current classification

In the consolidated balance sheet assets and liabilities due to be realised or settled or maturing within 12 months are classified as current items and those due to be realised or settled or maturing within more than 12 months as non-current items.

4.11 Termination benefits

Under current labour legislation and certain employment contracts, the Group companies are required to pay termination benefits to employees terminated under certain conditions.

The accompanying consolidated balance sheet at 30 September 2014 includes the provisions that the Parent's directors consider necessary to cover the restructuring plans in progress at year-end (see Note 19).

4.12 Pension and other obligations to employees

Certain Group companies are obliged to supplement the social security retirement, disability or death benefits to employees who have fulfilled certain conditions.

- In general, the obligations relating to the current and former employees of these groups are defined contribution obligations and are externalised. The annual contributions made by the Group to meet these obligations are recognised under "Staff Costs" in the consolidated income statements and amounted to EUR 1,712 thousand and EUR 3,075 thousand in 2014 and 2013 (see Note 25.b).

- Under the collective agreements currently in force, Compañía de Distribución Integral Logista ,S.A.U. is obliged to make a lump-sum payment of a specific amount to each employee on completion of 24 years of service, subject to compliance with certain conditions. Also, this Company is obliged to make fixed monthly payments to a certain group of current employees and employees who retired prior to 1 January 2009 as compensation for the "free tobacco" benefit.

  Logista France, S.A.S. has retirement obligations to its employees for which it has made provisions calculated on the basis of actuarial studies performed by independent actuaries.

  To cover these obligations, provisions were recognised, the amount of which is calculated each year based on the corresponding actuarial studies performed by independent experts using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 2.70% as the main assumptions (see Note 19).

- On 25 June 2008, the Group approved the "2008 Medium-Term Incentive Plan" and the "2008 Special Medium-Term Incentive Plan", consisting of the recognition for certain employees of the right to receive an amount estimated for each employee at the start of each plan tranche on completion of the end of the third year from the start of each of the three plan tranches, taking into consideration the growth of certain financial parameters in each three-year period.

  In 2013 and 2012 the first two phases of these incentives plan were completed after the Group made payments of EUR 1,625 thousand and EUR 2,132 thousand, respectively, to its employees.

  On 31 January 2012, the Group approved the "2011 Medium-Term Incentive Plan" and "2011 Medium term Especial Incentives Plan", the conditions of which are similar to those of the previous incentive plans.

  The Group distributes the total amount of the estimated incentive for each block on a straight-line basis over three years and charges it to income. "Staff Costs" in the accompanying consolidated income statement for 2014 includes EUR 2,851 thousand in this connection (2013: EUR 2,188 thousand).

  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.

4.13 Provisions

The Group recognises provisions for the estimated amounts required to cover the liability arising from litigation in progress, indemnity payments or obligations and collateral and other guarantees provided which are highly likely to involve a payment obligation (legal or constructive), provided that the amount can be estimated reliably.

Provisions are quantified on the basis of the best information available on the situation and evolution of the events giving rise to them and are fully or partially reversed when such obligations cease to exist or are reduced, respectively.

Also, the adjustments arising from discounting these provisions are recognised as a finance cost on an accrual basis.

4.14 Foreign currency transactions

The consolidated financial statements of Logista Group are presented in euros.

Transactions in currencies other than the euro are recognised at their equivalent euro value by applying the exchange rates prevailing at the transaction date. Any gains or losses resulting from the exchange differences arising on the settlement of balances deriving from transactions in currencies other than the euro are recognised in the consolidated income statement as they arise.

Balances receivable and payable in currencies other than the euro at year-end are measured in euros at the exchange rates prevailing on that date. Any gains or losses arising on such measurement are recognised in the consolidated income statement for the year.

4.15 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. Specifically, revenue represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT, excise duty on tobacco products and other sales taxes.

As a result of the regulations of the main countries in which the Group operates, the Group makes payments to the relevant tax authorities in respect of excise duties on the tobacco products it sells, which are also charged to customers. The Group does not recognise as income or expenses the amounts relating to the aforementioned excise duties, which amounted to approximately EUR 29,146,347 thousand in 2014 and EUR 28,651,658 thousand in 2013.

In the particular case of books and published materials, the customers are entitled to return the products they fail to sell and in turn, the Group may exercise this right with respect to its suppliers. At each reporting date, a provision is recognised based on the historical experience of the sales returns for the purpose of adjusting the margins obtained during the course of business (see Note 19).

In purchase and sale transactions on which the Group receives commission, regardless of the legal form of such transactions, only commission income is recognised. Distribution and sales commissions are recognised in revenue. The Group recognises income and expenses on transactions involving products held on a commission basis (mainly stamps, certain tobacco and publishing business products) at the date of the sale.

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 is established. In any case, interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the income statement.

4.16 Income tax

The current income tax expense is calculated on the basis of the accounting profit before tax, increased or reduced, as appropriate, by the permanent differences from taxable profit, net of tax relief and tax credits. The rates used to calculate the income tax expense are those in force at the balance sheet date.

Deferred tax assets and liabilities are recognised using the balance sheet method, recognising the differences between the carrying amount of the assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax assets and liabilities are calculated at the tax rates expected at the date on which the asset is realised or the liability is settled. Deferred tax assets and liabilities are recognised in full with a charge to the consolidated income statement, except when they relate to line items taken directly to equity accounts, in which case the deferred tax assets and liabilities are also recognised with a charge or credit to the related equity accounts.

Deferred tax assets and tax loss carryforwards are recognised when it is considered probable that the Group will be able to utilise them in the future, regardless of when they are recovered. Deferred tax assets and liabilities are not adjusted and are classified as non-current assets or liabilities in the consolidated balance sheet.

The Group recognises the deferred tax arising from the deductibility of the amortisation, for tax purposes, of certain items of goodwill generated on the acquisition of companies (see Note 20).

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.

"Income Tax" represents the sum of the current tax expense and the result of recognising deferred tax assets and liabilities (see Note 20).

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.

4.17 Consolidated statements of cash flows

The following terms are used in the consolidated statements of cash flows, prepared in accordance with the indirect method, with the meanings specified:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in equity and borrowings.

4.18 Discontinued operations

A discontinued operation is a Group component representing a line of business or significant area which has or will be disposed of by any means other than through ordinary operations. The net assets arising from discontinued operations which have not yet been realised are recognised under "Non-Current Assets Held for Sale".

For this type of operations, the Group includes the profit after tax from discontinued operations and the profit after tax recognised on the disposal of the items composing the discontinued operations under a single item, "Profit for the Year from Discontinued Operations Net of Tax" in the consolidated income statement. Similarly, "Discontinued Operations" includes, where applicable, the losses recognised as a result of reducing the carrying amount of the items relating to discontinued operations not yet realised at their fair value less estimated costs to sell.

Also, when operations are classified as discontinued, the Group presents under "Profit for the Year from Discontinued Operations Net of Tax" the amount for the preceding year relating to the operations classified as discontinued at the reporting date, also adapting the rest of headings in the consolidated income statement for the previous year.

5. Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group (after tax and minority interests) by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares.

Earnings per share are calculated as follows:

	2014	2013 (*)
Net profit for the year (thousands of euros)	102,347	87,605
Weighted average number of shares issued (thousands of shares)	73,103	73,103
Earnings per share (euros)	**1.40**	**1.20**

(*) As indicated in Notes 1 and 2.4, Compañía de Distribución Integral Logista Holdings, S.A.U. has been the Group's Parent since 4 June 2014. Therefore, in conformity with the regulatory financial reporting framework applicable to the Group, earnings per share for 2013 are restated in these consolidated financial statements, taking into account the weighted average number of shares outstanding in 2014.

At 30 September 2014 and 2013, there were no dilutive effects on basic earnings per share.

6. Property, plant and equipment

6.1 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2014 and 2013 were as follows:

2014

	Thousands of Euros				
	Balance at 30-09-13	Additions or charge for the year	Disposals or reductions	Transfers (Note 8)	Balance at 30-09-14
Cost:					
Land and buildings	234,965	28	(469)	1,079	235,603
Plant and machinery	158,776	2,156	(3,952)	13,835	170,815
Other fixtures, tools and furniture	132,602	2,286	(1,882)	1,510	134,516
Other items of property, plant and equipment	39,787	297	(637)	847	40,294
Property, plant and equipment in the course of construction	24,025	14,258	-	(25,684)	12,599
	590,155	19,025	(6,940)	(8,413)	593,827
Accumulated depreciation:					
Buildings	(101,444)	(5,637)	465	(381)	(106,997)
Plant and machinery	(118,577)	(11,217)	3,878	(2)	(125,918)
Other fixtures, tools and furniture	(97,675)	(9,393)	1,606	959	(104,503)
Other items of property, plant and equipment	(24,439)	(1,280)	631	926	(24,162)
	(342,135)	(27,527)	6,580	1,502	(361,580)
Impairment losses	(5,288)	(13,522)	-	-	(18,810)
Total	**242,732**	**(22,024)**	**(360)**	**(6,911)**	**213,437**

2013

	Thousands of Euros						
	Balance at 30/09/12	Additions to the scope of consolidation (Note 32)	Business Combination (Note 32)	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	Balance at 30/09/13
Cost:							
Land and buildings	167,580	66,999	21,365	141	(1,196)	(19,924)	234,965
Plant and machinery	114,768	36,435	-	561	(3,059)	10,071	158,776
Other fixtures, tools and furniture	112,206	15,619	-	6,434	(6,167)	4,510	132,602
Other items of property, plant and equipment	42,559	304	-	214	(3,367)	77	39,787
Property, plant and equipment in the course of construction	21,049	945	-	18,619	(15)	(16,573)	24,025
	458,162	120,302	21,365	25,969	(13,804)	(21,839)	590,155
Accumulated depreciation:							
Buildings	(61,098)	(47,833)	-	(5,869)	1,187	12,169	(101,444)
Plant and machinery	(79,140)	(32,153)	-	(9,928)	2,644	-	(118,577)
Other fixtures, tools and furniture	(80,622)	(13,135)	-	(9,953)	6,035	-	(97,675)
Other items of property, plant and equipment	(23,603)	(284)	-	(3,347)	2,795	-	(24,439)
	(244,463)	(93,405)	-	(29,097)	12,661	12,169	(342,135)
Impairment losses	(3,088)	-	-	(2,200)	-	-	(5,288)
Total	**210,611**	**26,897**	**21,365**	**(5,328)**	**(1,143)**	**(9,670)**	**242,732**

Additions

In 2014, key additions related chiefly to typical Logista Group projects in progress, in line with investments in previous years. The main investment projects currently under way include improvements to warehouse security systems, and to automated order picking systems in Italy and France, implantation of a new management system (ERP) for managing consumer products and IT enhancements to meet the needs of the Group's clients.

In 2013, key additions related largely to acquisitions of automated order picking equipment, improvements to warehouses in Italy and acquisitions of semi-trailers.

Disposals

Disposals for 2014 and 2013 are mainly concerned disposals of items that were practically amortised/depreciated or which were not being used for the Group's business, along with the sale of various items of property, plant and equipment. These had no significant impact on the income statement.

Transfers

The transfers in 2014 and 2013 relate to reclassifications between property, plant and equipment accounts and also to "Other Intangible Assets - Computer Software" as a result of the start-up of various items. Also, EUR 358 thousand were reclassified to "Investment Property" in 2014 (2013: EUR 2,696 thousand).

Impairment

In 2014 the Group recognised impairment losses amounting to EUR 8,100 thousand on the portion attributable to it of the carrying amount of the property, plant and equipment owned by Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas. This amount was charged to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement.

Also, in 2014 the Group recognised impairment losses amounting to EUR 5,000 thousand on certain items of property, plant and equipment operated by distribution subsidiaries in the publishing industry. This amount was charged to "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement.

In 2013 the Compañía de Distribución Integral Logista, S.A.U. recognized an impairment loss of EUR 2,200 thousand on the portion attributable to it of the carrying amount of certain POS terminals owned by the unincorporated temporary joint venture (UTE) in which it has a 50% interest which were not in operation at the end of the reporting period. This impairment was charged to the caption "Net loss on disposal and impairment of non-current assets" in the accompanying consolidated income statement for 2013.

6.2 Other disclosures

Fully depreciated items of property, plant and equipment in use at 30 September 2014 amounted to EUR 195,628 thousand (EUR 194,599 thousand at 30 September 2013).

At the end of 2013 the Group had yet to formalise the acquisition of a land lot in Alcalá de Guadaira (Seville), for which it paid an advance of EUR 4,671 thousand in 2005, which is recognised under "Property, Plant and Equipment in the Course of Construction". This formalisation is dependent upon the municipal authority executing the corresponding land development projects. Compañía de Distribución Integral Logista, S.A.U. directors have commenced actions aimed at ensuring that the municipal authority meets the obligations assumed.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 30 September 2014 and 2013, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR 80,972 thousand and EUR 88,945 thousand, net of the related accumulated depreciation, respectively.

7. Goodwill

Breakdown and significant changes

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	30/09/14	30/09/13
Italy, tobacco and related products	662,922	662,922
France, tobacco and related products	236,945	236,945
Iberia, transport	18,354	18,354
Iberia, other business: Pharma	486	486
Iberia, tobacco and related products	483	483
Total	**919,190**	**919,190**

Italy, tobacco and related products

The goodwill associated with Logista Italia S.p.A. arose when Etinera, S.p.A., a leading tobacco distributor in Italy, was acquired in 2004 from BAT Italia, S.p.A., an Italian subsidiary of British American Tobacco, Lda. Subsequently, Etinera, S.p.A.'s company name was changed to Logista Italia, S.p.A. The information relating to the aforementioned acquisition is included in the Group's consolidated financial statements for 2004.

France, tobacco and related products

As indicated in Note 32, the goodwill associated with Logista France S.A.S. arose when Compañía de Distribución Integral Logista, S.A.U. acquired all the shares representing the share capital of Altadis Distribution France, S.A.S. from Seita, S.A.S., an Imperial Tobacco Limited Group PLC company.

Iberia, transport

The goodwill associated with Dronas 2002, S.L.U. arose when this company merged in 2002 with the Burgal Group, an integrated and express parcel and pharmaceutical logistics service provider, and in 2003 with the Alameda Group, a distributor of pharmaceutical supplies and food products. The information relating to the aforementioned mergers is included in the Group's consolidated financial statements for 2002 and 2003.

Goodwill impairment analysis

The assumptions used in testing for impairment were as follows:

Discount and growth rates

	2014		2013	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Italy, tobacco and related products	9.10%	0.00%	10.30%	0.00%
France, tobacco and related products	7.50%	0.00%	7.60%	0.00%
Iberia, transport	9.10%	0.00%	10.90%	0.00%
Iberia, other business: Pharma	8.50%	0.00%	10.20%	0.00%
Iberia, tobacco and related products	9.90%	0.00%	12.10%	0.00%

The parameters considered in defining the foregoing discount rates were as follows:

- Risk-free bonds: 10-year bonds in the benchmark market of the CGU.
- Market risk premium: year-on-year average risk premium in each country in which the Group is present.
- Unleveraged Beta: industry average, on a case-by-case basis.
- Debt/equity ratio: industry average.

Other salient matters

a) Italy, tobacco and related products:
   - Volume of cigarettes, rolling tobacco and cigars.
   - Changes in tobacco retail prices.
   - Changes in excise taxes on tobacco and VAT.
   - Investments.

b) France, tobacco and related products:
   - Volume of cigarettes, rolling tobacco and cigars.
   - Changes in tobacco retail prices.
   - Changes in excise taxes on tobacco and VAT.
   - Investments.

c) Iberia, transport:
   - Fuel costs

d) Iberia, other business: Pharma
   - Regulation of the pharmaceutical industry.

e) Iberia, tobacco and related products:
   - Volume of cigarettes, rolling tobacco and cigars.
   - Changes in tobacco retail prices.
   - Changes in excise taxes on tobacco and VAT.
   - Investments.

Based on the methods used and the estimates, projections and valuations available to the Parent's directors, no impairment losses were recognised in relation to these assets in 2014.

In 2013 evidence of impairment was detected in the "Iberia, transport" CGU, specifically in the goodwill associated with Dronas 2002, S.L.U. Accordingly, the Group recognised impairment losses of EUR 8,362 thousand, based on the value in use of the asset, under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying consolidated income statement.

With regard to the sensitivity analysis of the impairment tests on goodwill, the Group performed an analysis of sensitivity of the impairment test result to changes in the following assumptions:

- Increase of 100 basis points in the discount rate.
- 1% decrease in the growth rate.

These sensitivity analyses performed separately for each of the aforementioned assumptions did not disclose any impairment losses.

8. Other intangible assets

The changes in "Other Intangible Assets" in 2014 and 2013 were as follows:

2014

	Thousands of Euros				
	Balance at 30-09-13	Additions or charge for the year	Disposals or reductions	Transfer (Note 6)	Balance at 30-09-14
Cost:					
With indefinite useful life-					
Trademarks	108	-	-	(2)	106
With finite useful life-					
I+D expenses	2,223	-	-	-	2,223
Computer software	142,995	2,140	(855)	10,909	155,189
Concessions, rights and licences	779,169		(167)	363	779,365
Advances and intangible assets in progress	9,926	13,804	(84)	(4,793)	18,853
	934,421	15,944	(1,106)	6,477	955,736
Accumulated amortisation-					
I+D expenses	(1,510)	(584)	-	29	(2,065)
Computer software	(122,267)	(9,864)	297	47	(131,787)
Concessions, rights and licences	(53,722)	(51,912)	160	-	(105,474)
	(177,499)	(62,360)	457	76	(239,326)
Impairment losses	(644)	(2,067)	88	-	(2,623)
Total	**756,278**	**(48,483)**	**(561)**	**6,553**	**713,787**

2013

	Thousands of Euros						
	Balance at 30/09/12	Additions to the scope of consolidation (Note 32)	Business combination (Note 32)	Additions or charge for the year	Disposals or reductions	Transfer (Note 6)	Balance at 30/09/13
Cost:							
With indefinite useful life-							
Trademarks	108	-	-	-	-	-	108
With finite useful life-							
I+D expenses	-	2,223	-	-	-	-	2,223
Computer software	117,884	18,211	-	1,644	(1,127)	6,383	142,995
Concessions, rights and licences	928	1,225	776,400	-	(9)	625	779,169
Advances and intangible assets in progress	6,044	100	-	10,666	(45)	(6,839)	9,926
	124,964	21,759	776,400	12,310	(1,181)	169	934,421
Accumulated amortisation-							
I+D expenses	-	(954)	-	(556)	-	-	(1,510)
Computer software	(94,801)	(17,395)	-	(10,299)	228	-	(122,267)
Concessions, rights and licences	(677)	(1,065)	-	(51,983)	3	-	(53,722)
	(95,478)	(19,414)	-	(62,838)	231	-	(177,499)
Impairment losses	(644)	-	-	-	-	-	(644)
Total	**28,842**	**2,345**	**776,400**	**(50,528)**	**(950)**	**169**	**756,278**

Additions

The additions to "Other intangible assets" relate mainly to functional development projects for the Logista Group's existing applications to improve or increase the services provided to its customers and the implementation of new management systems (SAP) in certain business segments.

Transfers

The transfers to "Computer Software" in 2014 and 2013 relate to the reclassification of various items that have been put into operation from the account "Advances and intangible assets in progress" attending to their nature.

Impairment

In 2014 the Group recognised mainly impairment losses of EUR 2,000 thousand on items classified as "Other Intangible Assets", relating to the computer software registered at Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas (see Note 6). No impairment losses on items classified under this heading were recognised in 2013.

At 30 September 2014 and 2013, fully amortised intangible assets in use amounted to approximately EUR 109,671 and EUR 101,147 thousand, respectively.

9. Investments in associates accounted for using the equity method and interests in proportionately consolidated joint ventures

The detail of the changes in 2014 and 2013 in "Investments in Associates Accounted for Using the Equity Method" were as follows:

2014

	Thousands of Euros				
	Balance at 30-09-13	Capital increase	Share of Profit for the Year	Transfers to non-current provision (Note 19)	Balance at 30-09-14
Dima Distribución Integral, S.L.	-	400	(1,206)	808	2
Logesta Maroc, S.A.	18	-	-	-	18
Otros	18	-	-	-	18
Total	**36**	**400**	**(1,206)**	**808**	**38**

2013

	Thousands of Euros				
	Balance at 30-09-12	Share of Profit for the Year	Transfers to non-current provision (Note 19)	Exits of the scope of consolidation	Balance at 30-09-13
International News Portugal, Lda	511	-	-	(511)	-
Dima Distribución Integral, S.L.	-	(498)	498	-	-
Logesta Maroc, S.A.	18	-	-	-	18
Otros	12	-	6	-	18
Total	**541**	**(498)**	**504**	**(511)**	**36**

On 9 May 2014, the subsidiary Compañía de Distribución Integral de Publicaciones Logista, S.L.U. subscribed a portion of the EUR 400 thousand capital increase at its investee DIMA Distribución Integral, S.L., as a result of which its ownership interest was reduced to 12.56%. In addition, the Group recognised a participating loan of EUR 600 thousand to the latter. Both the capital increase and the participating loan were paid with a charge to the accounts receivable outstanding between the two companies, without any effect on cash. (see Note 2.7.5).

Logista Portugal Distribuçao de Publicaçoes, S.A., a company disposed of in 2013, held a 20% ownership interest in the share capital of International News Portugal, Lda. The loss on the disposal of Logista Portugal Distribuçao de Publicaçoes, S.A. was recognised under "Net loss on disposal and impairment of non-current assets" in the accompanying consolidated income statement for 2013 (see Note 2.7.5).

A detail of the main investments in associates, including the name, registered office, principal line of business, the Group's ownership interest and the most significant financial information relating thereon is provided in Appendices I and II.

The most significant financial information relating to interests in joint ventures is as follows (considering a full interest):

2014

	Thousands of Euros					
	30/09/2014				2014	
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Income	Expenses
Logista Libros, S.L.	30,487	10,441	40,821	95	25,467	(25,677)
Avanza Libros, S.L.U.	248	8	367	-	329	(396)
UTE Logista – GTECH	4,782	16,770	129,784	381	10,719	(20,774)

2013

	Thousands of Euros					
	30/09/2013				2013	
	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Income	Expenses
Logista Libros, S.L.	28,530	10,028	36,621	154	23,771	(25,097)
Avanza Libros, S.L.U.	848	12	879	-	369	(372)
UTE Logista – GTECH	4,249	21,110	123,131	817	20,061	(39,944)

On 26 October 2010, Compañía de Distribución Integral Logista, S.A.U. and Indra Sistemas, S.A. formed, with ownership interests of 97% and 3% respectively, the unincorporated temporary joint venture called "Compañía de Distribución Integral Logista, S.A.U. and Indra Sistemas, S.A., Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo, número 1", which is engaged in the provision of services for the Andalusian transport authority network. The assets and liabilities of this UTE, together with its results at the end of the reporting period were not significant at 30 September 2014.

10. Financial assets

The detail of "Other Non-Current Financial Assets" and "Current Financial Assets" in the accompanying consolidated balance sheets at 30 September 2014 and 2013 is as follows:

2014

	Thousands of Euros				
	30-09-2014				
Financial Assets: Nature/Category	Loans Granted to Third Parties	Loans Granted to Related Companies	Short-Term Deposits and Guarantees	Available-for-Sale Financial Assets	Total
Equity instruments	-	-	-	3,464	3,464
Financial debts	1,325	-	-	-	1,325
Other financial assets	-	-	4,618	-	4,618
Non-current	**1,325**	-	**4,618**	**3,464**	**9,407**
Financial debts	32,526	1,635,665	-	-	1,668,191
Other financial assets	-	-	337	-	337
Current	**32,526**	**1,635,665**	**337**	-	**1,668,528**
Total	**33,851**	**1,635,665**	**4,955**	**3,464**	**1,677,935**

2013

Financial Assets: Nature/Category	Thousands of Euros 30-09-2013				
	Loans Granted to Third Parties	Loans Granted to Related Companies	Short-Term Deposits and Guarantees	Available-for-Sale Financial Assets	Total
Equity instruments	-	-	-	3,108	3,108
Financial debts	5,326	-	-	-	5,326
Other financial assets	-	-	3,576	-	3,576
Non-current	**5,326**	-	**3,576**	**3,108**	**12,010**
Financial debts	29,057	1,572,207	-	-	1,601,264
Other financial assets	-	-	523	-	523
Current	**29,057**	**1,572,207**	**523**	-	**1,601,787**
Total	**34,383**	**1,572,207**	**4,099**	**3,108**	**1,613,797**

Loans granted to third parties

The venturers of Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas granted a loan to this joint venture divided into equal shares which at 30 September 2014 totalled EUR 124,436 thousand. Compañía de Distribución Integral Logista, S.A.U. recognised EUR 31,109 thousand (2013: EUR 28,799 thousand) in this connection, which are presented under "Other Current Financial Assets" and "Other Current Financial Liabilities" in the accompanying consolidated balance sheet at 30 September 2014, for the receivables from and payables to the aforementioned joint venture that correspond to the other venturer (see Notes 9 and 21).

Credits granted to related parties

At 30 September 2013, Imperial Tobacco Enterprise Finance Limited y Logista France S.A.S and Compañía de Distribución Integral Logista, S.A.U. entered into a mutual agreement for a credit line with a maximum draw down limit of EUR 2,000 million, and which earned interest at the European Central Bank interest rate, plus a spread of 0.75%.

Logista France consolidated all the funds of the Logista Group under this agreement. All transactions performed by the rest of the Logista Group companies were therefore considered to be carried out for and on behalf of Logista France.

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., which until 11 June 2014 was the company that consolidated the funds on a daily basis and as of that date assigned the rights and obligations with regard to the outstanding balances to Logista, S.A.U., 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. As a result of this new agreement, Logista France, S.A.S., which until 11 June 2014 was the company which pooled the funds on a daily basis, transferred the rights and obligations relating to the outstanding balances to Compañía de Distribución Integral Logista, S.A.U., which thus became the new consolidating company (see Note 28).

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 Logista in order for the latter to be able to meet its cash needs arising from its operations.

In accordance with this agreement, Logista, S.A.U. will lend, on a daily bases, its cash surpluses to Imperial Tobacco Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations. Each of these two companies will therefore open an internal current account in which the daily movements between both companies will be recorded.

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.

11. Inventories

The detail of the Group's inventories at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Tobacco	1,000,717	1,140,772
Published materials	9,393	10,027
Other merchandise	68,344	65,387
Write-downs	(11,804)	(8,119)
Total	**1,066,650**	**1,208,067**

The balance of tobacco inventories includes the excise duty chargeable to the tobacco items for the tobacco stock in the Group's warehouses at 30 September 2014, for a total amount of EUR 390,446 thousand (2013: EUR 449,531 thousand).

The write-down in year 2014 and 2013 relates mainly to tobacco inventories that were defective or that cannot be sold at year end. The changes in the write-downs relating to "Inventories" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
Accumulated write-down at 30 September 2012	8,383
Inclusions in scope of consolidation (Note 32)	6,005
Period write-downs	2,126
Amounts used	(8,395)
Accumulated write-down at 30 September 2013	8,119
Period write-downs	6,176
Reversals	(2,491)
Accumulated write-down at 30 September 2014	**11,804**

12. Trade and other receivables

The detail of "Trade and Other Receivables" in the accompanying consolidated balance sheets at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Trade receivables for sales and services	1,789,023	1,572,992
Related companies (Note 28)	4,625	10,248
Sundry accounts receivable	29,023	25,868
Employee receivables	668	1,115
Less- Allowances for doubtful debts	(54,163)	(50,133)
	1,769,176	**1,560,090**

The changes in the "Allowances for Doubtful Debts" in 2014 and 2013 were as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2012	38,683
Inclusions in scope of consolidation (Note 32)	7,688
Amounts used	(8,572)
Period provisions	12,334
Allowance for doubtful debts at 30 September 2013	50,133
Amounts used	(498)
Period provisions	9,280
Reversals	(4,752)
Allowance for doubtful debts at 30 September 2014	**54,163**

The additions to and reversals from the allowance for doubtful debts in 2014 are recognised under "Cost of Logistics Networks - Other Operating Expenses" in the accompanying consolidated income statement.

At 30 September 2014, the total amounts of balances provided are older than 90 days.

Trade receivables for sales and services

"Trade Receivables for Sales and Services" includes mainly the balances receivable from the sales of tobacco products, postage and other stamps relating basically to the final delivery of each year, which may be settled during the first days of the following year, including the excise duties and VAT associated with tobacco product sales which do not form part of revenue (see Note 4.15).

The average credit period taken on sales of goods and services ranges from 10 to 30 days. No interest is charged on the receivables for the first 30 days after the expiry date of the invoice. Thereafter, interest is generally charged at between 6.5% and 9% on the outstanding balance.

None of the clients supposes more than 5% of the trade receivable balances, so there is no clients' concentration risk.

The detail of the past-due receivables for which no allowance had been recognised at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
Tranche	2014	2013
0-30 days	45,599	29,084
30-90 days	12,815	11,015
90-180 days	6,494	6,664
180-360 days	2,809	2,881
More than 360 days	955	2,874

The Group recognizes an allowance for doubtful debts based on seniority of the debt, unless there are additional guarantees of payment.

13. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheets at 30 September 2014 and 2013 includes mainly the Group's cash deposited in current accounts at banks.

The average interest rate obtained by the Group on its cash and cash equivalent balances was 0.93% in 2014 (0.98% in 2013).

14. Equity

At the end of 2014, the Parent's share capital amounted to EUR 26,550 thousand and was represented by 132,750,000 fully subscribed and paid shares of EUR 0.2 par value each, all of the same class.

As indicated in Note 1, the Parent 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. 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, the sole shareholder approved the share capital increase through a non-monetary contribution of EUR 26,490 thousand, through the issue of 132,450,000 new shares of EUR 0.20 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 Parent Company came to an end on 14 July 2014, and its shares are currently listed for trading in the Continuous Market on Madrid, Barcelona, Valencia and Bilbao Exchanges.

The only shareholder with an ownership interest of 10% or more in the Parent'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 Parent have the same voting and dividend rights.

Capital Management-

The main objectives of the Group's capital management are to ensure financial stability in the short and long term and the adequate funding of investments, keeping debt levels, all aimed at that the Group maintains its financial strength and soundness of their ratios so that it supports their business and maximizes the value for its shareholders.

At September 30, 2014 and 2013 the leverage ratio is as follows:

	Thousands of Euros	
	2014	2013
Bank borrowings	2,623	3,729
Other current financial liabilities	32,560	115,943
Gross debt	**35,183**	**119,672**
Current financial assets (Note 10)	(1,668,191)	(1,601,264)
Cash and cash equivalents	(32,372)	(149,907)
Financial assets and cash	**(1,700,563)**	**(1,751,171)**
Total net debt	**(1,665,380)**	**(1,631,499)**
Total equity	442,428	460,824
Leverage ratio	**(3.76)**	**(3.54)**

15. Reserves

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.

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, no appropriations had yet been made to the Parent's legal reserve.

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.

Reorganisation reserve

This line item includes the net effect which arose in the Parent's reserves as a result of the corporate reorganisation that took place during the year, as described in Notes 1 and 2.4 and in the section above entitled "Share Capital", in conformity with the regulatory financial reporting framework applicable to the Group.

Reserve for first-time application of IFRSs

As a result of the transition to International Financial Reporting Standards (IFRSs), the Group revalued a plot of land assigned to its operations by EUR 28,500 thousand, based on the appraisal of an independent valuer, considering the fair value of this plot of land to be the deemed cost thereof in the transition to IFRSs. The impact of this revaluation on reserves amounted to EUR 19,950 thousand.

Dividends

On 25 February 2014, Altadis, S.A.U., at that time the sole shareholder of Compañía de Distribución Integral Logista, S.A.U. (former Parent of the Group), approved the distribution of a dividend of EUR 1.80 per share out of the profit for 2013, resulting in a total dividend payment of EUR 79,650 thousand.

On 27 May 2014, the Group approved and paid to Altadis, S.A.U., at that time the sole shareholder of Compañía de Distribución Integral Logista, S.A.U. (former Parent of the Group), an interim dividend out of the profit for 2014, amounting to EUR 39,825 thousand. This dividend was paid on 28 May 2014 with a credit to the loan held by Compañía de Distribución Integral Logista, S.A.U. with Altadis, S.A.U.

16. Reserves at consolidated companies

The detail of "Reserves of Group Companies and Associates" in the consolidated balance sheets at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Subsidiaries and jointly controlled entities	144,519	140,227
Reserves in associated entities	(1,843)	(1,345)
Total	**142,676**	**138,882**

The reserves at consolidated companies include the retained earnings not appropriated at the beginning of the period relating to the consolidated companies and taking into account the consolidation adjustments.

17. Minority interests

The detail, by company, of "Minority interests" and "Profit/loss attributed to minority interests" in the consolidated balance sheets is as follows:

	Thousands of Euros			
	2014		2013	
Entidad	Minority Interests	Income Atributable To Minority Shareholders	Minority Interests	Income Atributable To Minority Shareholders
Distribuidora Valenciana de Ediciones, S.A.	384	39	345	(78)
Terzia, S.p.A.	844	32	812	(111)
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	44	13	31	7
Transportes Basegar, S.L.	424	65	359	60
Distribuidora de Publicaciones del Sur, S.L.	123	22	101	101
Otras sociedades	108	-	66	1
Total	**1,927**	**171**	**1,714**	**(20)**

The changes in this heading in 2014 and 2013 were as follows:

	Thousands of Euros	
	2014	2013
Beginning balance	1,714	1,812
Additions to the scope of consolidation (Note 32)	-	(61)
Exits of the scope of consolidation (Nota 2.7.5)	-	(35)
Acquisition of non-controlling interests	42	-
Change due to profit for the year	171	(20)
Dividends paid to minority interests and other	-	18
Ending balance	**1,927**	**1,714**

18. Risk Exposure

The management of the risks to which the Logista Group is exposed in the course of its business constitutes one of the basic pillars of its activities aimed at preserving the value of the Group's assets at all the business units and in all the countries in which it operates (mainly Spain, Italy, France, Portugal and Poland) and, as a result, the value of its shareholder's investments. The risk management system is structured and defined to achieve the strategic and operating objectives.

The Group's financial risk management is centralised in the Corporate Finance Division. This Division has the required mechanisms in place to control, based on the Group's financial position and structure and on the economic variables of the environment, the exposure to interest and exchange rate fluctuations and to the credit and liquidity risks, establishing, when necessary, the related credit limits and setting the policy for the doubtful debts allowance.

The main risks and uncertainties faced by the Group derive from the possible regulatory changes in the industries in which it operates.

Credit risk

The Group's principal financial assets are cash and cash equivalents and trade and other receivables, the latter two concentrating the risks of doubtful debts and past-due amounts. In general the Group has its cash and cash equivalents deposited at financial institutions with a high level of solvency. The Group controls the default and delinquency risks by setting credit limits and establishing demanding conditions in relation to collection periods.

The commercial risk is spread out over a large number of customers that have shorter collection periods and extremely low historical default rates and, therefore, the Group's exposure to third-party credit risk is scantly material.

At 30 September 2014 the Group considers that the level of credit risk exposure of its financial assets is not significant.

Interest rate risk

In relation to its cash and cash equivalents and bank borrowings, the Group is exposed to interest rate fluctuations which might affect its profit and cash flows. However, due to the Group's low borrowing level, management considers that the effect would not be material under any circumstances.

In accordance with the disclosure requirements of IFRS 7, the Group performed a sensitivity analysis in relation to the possible interest rate fluctuations which might occur in the markets in which it operates. Based on these requirements, the Group considers that each interest rate drop of 10 basis points would give rise to a decrease in the Group's finance income of EUR 1 million.

Foreign currency risk

The level of exposure of equity and the income statement to the effects of future changes in the foreign currency exchange rates in force is not significant because the volume of the Group's transactions in currencies other than the euro is not material (see Note 27).

The Group does not have significant investments in foreign entities which operate in currencies other than the euro and it does not carry out significant transactions in countries whose currency is not the euro.

In addition, all the companies composing the Logista Group prepare their financial statements in euros, except for two subsidiaries in Poland and another in Morocco, the activities of which are of scant significance in the Group's business taken as a whole.

Liquidity risk

The Group has to meet payments arising from its activities, including significant amounts relating to excise duties and VAT.

Also, as a result of the difference between the average collection and payment periods, at 30 September 2014, the Group had a working capital deficiency amounting to EUR 1,069,045 thousand (30 September 2013: EUR 999,327 thousand).

In any event, the Group, 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 consolidated balance sheet, together with the cash-pooling facilities with companies in the Group to which it belongs.

19. Provisions

The detail of the balance of short- and long-term provisions in the accompanying consolidated balance sheets at 30 September 2014 and 2013 and of the main changes therein in the periods is as follows:

2014

	Thousands of Euros					
	Balance at 30-09-13	Additions	Reversions	Provisions Used	Transfers (Nota 9)	Balance at 30-09-14
Customs and excise duty assessments	109,755	9,301	(47,249)	(55,329)	-	16,478
Obligations to employees	14,209	1,534	(374)	(701)	(544)	14,124
Provision for restructuring costs	12,925	1,550			(11,992)	2,483
Provision for contingencies and charges	15,134	8,280	(1,926)	(4,624)	(3,082)	13,782
Other	9,157	217	(2,983)	(31)	2,051	8,411
Non-current provisions	**161,180**	**20,882**	**(52,532)**	**(60,685)**	**(13,567)**	**55,278**
Provision for restructuring costs	5,277	5,096	(9)	(11,480)	11,992	10,876
Customer Refunds	4,187	191	-	(6)	-	4,372
Other	690	1,393	(406)	(1,240)	2,383	2,820
Current provisions	**10,154**	**6,680**	**(415)**	**(12,726)**	**14,375**	**18,068**

2013

	Thousands of Euros						
	Balance at 30-09-12	Additions to the scope of consolidation (Note 32)	Additions	Reversions	Provisions Used	Transfers (Nota 9)	Balance at 30-09-13
Customs and excise duty assessments	107,283	-	7,269	-	(4,797)	-	109,755
Obligations to employees	7,170	3,992	2,183	-	-	864	14,209
Provision for restructuring costs	9,433	-	15,799	-	(10,332)	(1,975)	12,925
Provision for contingencies and charges	14,981	752	2,874	(1,966)	(727)	(780)	15,134
Other	7,962	3,119	425	(785)	(1,204)	(360)	9,157
Non-current provisions	**146,829**	**7,863**	**28,550**	**(2,751)**	**(17,060)**	**(2,251)**	**161,180**
Provisions for restructuring costs	2,842	-	3,699	-	(3,239)	1,975	5,277
Customer Refunds	4,015	-	180	-	(8)	-	4,187
Other	1,002	8,243	265	(136)	(9,464)	780	690
Current provisions	**7,859**	**8,243**	**4,144**	**(136)**	**(12,711)**	**2,755**	**10,154**

Provision for excise tax on tobacco products and for customs duty assessments

Compañía de Distribución Integral Logista, S.A.U. has recognised provisions for assessments as a result of audits by the Spanish customs authorities of the returns for excise tax on tobacco products for 2007 to 2009, and for adjustments to the customs duty and import VAT not paid over for 2003. Compañía de Distribución Integral Logista, S.A.U. signed the assessments on a contested basis and filed appeals against them. However, it has recognised provisions for the possible deficiency and interest in this connection in order to cater for the possibility of unfavourable decisions being handed down on the appeals.

In 2014 the Central Economic-Administrative Tribunal handed down favourable judgments to Compañía de Distribución Integral Logista, S.A.U. in relation to the settlement of 2006 excise tax. Since none of the parties involved filed an appeal against the aforementioned judgment by the statutory deadline, the Company's directors considered these judgments to be final and, accordingly, reversed the provision related thereto amounting to approximately EUR 47,249 thousand, of which EUR 39,123 thousand related to the amount initially claimed by the public authorities and the remaining EUR 8,126 thousand to the late-payment interest accrued since the assessment was issued. The impact of this reversal is recognised under "Procurements" (deficiency) and "Finance Income" (interest) in the accompanying consolidated income statement.

Also, in 2014 the Supreme Court rejected the appeals filed by Compañía de Distribución Integral Logista, S.A.U. in relation to the returns for excise tax on tobacco products for 2004 and 2005 and to certain customs duty returns. Accordingly, Compañía de Distribución Integral Logista, S.A.U. paid the related assessments (EUR 55,329 thousand) and used the provision recognised for this purpose in prior years.

Based on the most recent judgments handed down, the Group re-estimated the amount of the provision associated with the contested assessments and recognised an additional amount of EUR 9,301 thousand on the basis of its best estimate of the related contingency, of which EUR 8,201 thousand relate to the initial deficiency and interest associated with the excise tax settlements for 2007, 2008 and 2009. This additional provision was recorded with a charge to "Procurements" in the accompanying consolidated income statement. The remaining EUR 1,100 thousand relate to the late-payment interest accrued on the outstanding appeals at 30 September 2014 and, therefore, the related provision was recognised with a charge to "Finance Costs" in the aforementioned consolidated income statement.

In 2013 the Supreme Court rejected several appeals filed by Compañía de Distribución Integral Logista, S.A.U. in relation to certain of the customs duty assessments. Consequently, the Company settled these assessments, for EUR 4,797 thousand, including the related late-payment interest.

Provisions for employee benefit obligations

This line item includes mainly the present value of the obligations assumed by Compañía de Distribución Integral Logista, S.A.U. in relation to long-service bonuses and the "tobacco gift", as well as the retirement bonus obligations of Logista France, S.A.S. Of the provision recognised in 2014, EUR 1,366 thousand were recorded with a charge to "Reserves of Consolidated Companies", since they relate to changes in the actuarial assumptions used to calculate the present value of the total obligation assumed by those companies. The aggregate balance relating to these items amounted to EUR 14,124 thousand at 30 September 2014 (30 September 2013: EUR 14,209 thousand).

Provision for restructuring costs

This line item relates mainly to the following:

- Restructuring of the logistics network of warehouses, the main cost of which relates to the payment of termination benefits, at Logista Italia. S.p.A. At the end of 2014 EUR 2,483 thousand (end of 2013: EUR 993 thousand) at long term and EUR 1,815 thousand (end of 2013: EUR 3,683 thousand) at short term had not yet been charged to profit or loss.

- Restructuring transactions that the directors of Compañía de Distribución Integral Logista, S.A.U. intend to carry out at short term. In 2014 provisions amounting to EUR 3,316 thousand (2013: EUR 1,818 thousand) were recognised and payments amounting to EUR 2,483 thousand were made using provisions recorded in prior periods (2013: EUR 1,695 thousand).

- Restructuring transactions initiated in 2013 by Logista France, S.A.S. at its subsidiary Strator, S.A.S., the main cost of which relates to the payment of termination benefits, and in its logistics network, involving the closure of its warehouse in Nancy (France). In 2014 payments amounting to EUR 7,129 thousand were made in this connection, and provisions of EUR 1,780 thousand were recognised, based on the best estimate of this company's directors of the cost associated with the two processes, with a charge to "Head Office Expenses – Staff Costs and Other" in the accompanying consolidated income statement. The balance of these provisions at 2014 year-end was EUR 6,634 thousand (2013 year-end: EUR 11,992 thousand).

  The Company's directors consider that both processes will be completed at short term and, therefore, in 2014 the related provision was reclassified to current liabilities in the accompanying consolidated balance sheet.

Provisions for contingencies and charges

This line item relates mainly to the following:

- A provision of EUR 5,000 thousand recorded in 2014 for the payments that might have to be made as a result of a decision handed down against the Group in the first instance in connection with a lawsuit with a creditor, against which, however, an appeal has been filed. This provision was recognised under "Cost of Logistics Networks - Other Operating Expenses".

- Provisions for income tax assessments relating to 2008 and 2009 at Logista Italia, S.p.A. amounting to EUR 2,694 thousand. In 2014 the tax audit of the income tax reported by Logista Italia, S.p.A. for the period between 2007 and 2011 was completed.

- Provisions recognised by Logista Italia, S.p.A. for litigation in progress with members of its logistics warehouse network and provisions for excise taxes associated with tobacco thefts totalling EUR 2,934 thousand at the end of 2014 (end of 2013: EUR 4,970 thousand).

- This line items also includes provisions for contingencies associated with various lawsuits that the Group has in progress with third parties.

Customer refunds

The customers of books and publications are entitled to the refund of those products which are finally not sold, and the Group may in turn exercise this entitlement to a refund vis-à-vis its suppliers. At each year-end, the Group recognises a provision based on past experience of the refunds on sales with a view to correcting the margins obtained in the course of the book and publications sales activity.

20. Tax matters

Consolidated Tax Group

Certain Group companies file consolidated tax returns with Imperial Tobacco España, S.L.U. (see Note 4.16). In addition to Imperial Tobacco España, S.L.U., the companies included in the consolidated tax group for income tax purposes are as follows: Compañía de Distribución Integral Logista, S.A.U., Compañía de Distribución Integral Logista Holdings, S.A., Distribérica, S.A.U., Publicaciones y Libros, S.A., Distribuidora de las Rías, S.A., Logista-Dis, S.A.U., La Mancha 2000, S.A.U., Dronas, 2002, S.L.U., T2 Gran Canaria, S.A.U., Logista Pharma, S.A.U., Cyberpoint, S.L.U., Distribuidora del Noroeste, S.L., Logilenia Distribuidora Farmacéutica, S.L.U., Compañía de Distribución Integral de Publicaciones Logista, S.L.U., Distribuidora del Este, S.A.U., S.A. Distribuidora de Ediciones, Logesta Gestión de Transporte, S.A.U. and Distribución de Publicaciones Siglo XXI Guadalajara, S.L., together with other Imperial Tobacco España Group companies.

In addition, Logista France, S.A.S., Société Allumetiére Française, S.A.S., Supergroup, S.A.S. and Strator, S.A.S. file consolidated income tax returns in France as part of the group headed by Logista France, S.A.S.

Also, Logista Italia, S.p.A., Terzia, S.p.A. and Logesta Italia, S.r.l. file consolidated income tax returns in Italy as part of the group headed by Logista Italia, S.p.A.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

On 20 June 2014, the Spanish Cabinet received a report from the Minister for Finance and Public Administration on four draft laws aimed at reforming the Spanish tax system, which include, among other measures, a change to the standard tax rate to 28% for 2015 and 25% for 2016. At the date of preparation of these financial statements, the corresponding laws were still awaiting final approval, although the Group is currently assessing the impacts that might arise from the aforementioned reform, and considers that in any case those impacts would not be significant, on the basis of the legislation in force at year-end.

Years open for review by the tax authorities

At 30 September 2014, the Parent Company had the last five years open for review for income tax, since 2013 or customs duties, since 2012 for excise duties, and the remaining four years for the other taxes applicable to it.

In general, the other consolidated companies have the last four years open for review by the tax authorities for the main taxes applicable to them in accordance with the specific legislation of each country.

In 2014 the tax authorities initiated a tax audit of income tax for 2009, 2010 and 2011, VAT and personal income tax withholdings for 2010, 2011 and 2012, excise tax for 2011 and tax on foreign trade for 2012. These processed were still in progress at the date of preparation of these consolidated financial statements.

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.

Tax receivables and payables

The detail of the tax receivables at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Deferred tax assets:		
Provision for restructuring costs	12,477	11,189
Goodwill	12,747	14,763
Impairment losses and other	17,143	15,267
Provision for third-party liability	3,064	3,577
Other deferred tax assets	13,974	12,252
	59,405	**57,048**
Tax receivables (current):		
VAT refundable	8,914	11,890
Income tax refundable	2,179	1,667
Other	4,164	938
	15,257	**14,495**

The deferred tax assets relate mainly to provisions recognised for restructuring plans, termination benefits and obligations to employees that will become tax deductible in the coming years, as well as to adjustments due to the application of transitional tax legislation in 2013-2014 as a result of which 30% of the depreciation and amortisation charge was not deductible but will become so in future years.

The detail of the tax payables at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Deferred tax liabilities:		
Assets contributed by Logista	884	916
Revaluation of land owned by the Parent (Note 15)	8,550	8,550
Goodwill	95,640	94,098
Business Combination (Note 32)	250,282	269,138
Other	2,159	2,099
	357,515	**374,711**
Tax payables (current):		
Excise duty on tobacco products	3,581,735	3,431,411
VAT payable	867,808	812,684
Customs duty settlements	4,507	5,677
Income tax, net of prepayments	29,382	15,240
Personal income tax withholdings	2,808	2,418
Social security taxes payable	15,970	18,134
Tax retention to tobacconists (France)	30,748	28,006
Other	4,717	7,851
	4,537,675	**4,321,421**

Short-term balances include mainly the "Excise Duty on Tobacco Products" accrued by Compañia de Distribución Integral Logista, S.A.U., Logistra France, S.A.S. and by Logista Italia, S.p.A. and pending payment to the tax authorities.

Until 2011, each year Compañía de Distribución Integral Logista, S.A.U decreased its taxable profit by one twentieth of the implicit goodwill included in the acquisition price of its subsidiary in Italy. These reductions are considered to be temporary differences.

On 30 March 2012, Royal Decree-Law 12/2012 came into force, introducing various tax and administrative measures aimed at reducing the public deficit. These measures include limiting the tax deductibility of such goodwill to 1% per year.

Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the aggregate taxable profit and of the accounting profit before tax to the income tax expense resulting from the application of the standard tax rate in force in Spain for the years ended 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Accounting profit before tax	153,630	118,935
Permanent differences:		
- Individual companies	2,657	4,608
Temporary differences:		
- Individual companies	2,333	(2,943)
- Consolidation adjustments	52,235	52,235
Taxable profit	**210,855**	**172,835**

The temporary differences arising from consolidation adjustments relate mainly to the depreciation and amortisation of assets recognised in the accounting for the acquisition of Logista France, S.A.S. (see Note 32).

	Thousands of Euros	
	2014	2013
Accounting profit before tax	153,630	118,935
Permanent differences	2,657	4,608
Tax charge at 30%	46,886	37,063
Effect of different tax rates	8,572	(8,602)
Tax credits:		
Reinvestment of gains	(378)	(20)
Other	(1,009)	1,888
Total income tax expense recognised in profit or loss	**54,071**	**30,329**

The Group is affected by the different income tax rates to which the Group companies' activities are subject:

- Spain: the income tax rate is 30%.

- France: the standard tax rate is 38%, although certain companies are taxed at 33.33% and there is also a supplementary business tax (CVAE TAX) which can represent an additional 2%-3%.

- Italy: the income tax rate is 27.5% and, as in France, there is a supplementary business tax which can represent an additional 4.6651%.

- Portugal: the income tax rate is 26.5%, and there is an obligation to make pre-payments even if an entity is reporting a loss.

- Poland: the income tax rate is 19%.

In 2013 the inclusion of Logista France, S.A.S. in the scope of consolidation gave rise to a tax saving for the Group of EUR 11,567 thousand (see Note 32).

Breakdown of the income tax expense

	Thousands of Euros	
	2014	2013
Current tax:		
Continuing operations	73,624	47,876
Deferred tax:		
Continuing operations	(19,553)	(17,547)
Total tax expense	**54,071**	**30,329**

Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2014 and 2013 were as follows:

2014

	Thousands of Euros		
	Balance at 30/09/13	Change in profit or loss	Balance at 30/09/14
Deferred tax assets:			
Provision for restructuring costs	11,189	1,288	12,477
Goodwill	14,763	(2,016)	12,747
Impairment losses and other	15,267	1,876	17,143
Provision for third-party liability	3,577	(513)	3,064
Other deferred tax assets	12,252	1,722	13,974
	57,048	**2,357**	**59,405**
Deferred tax liabilities:			
Assets contributed by Logista	(916)	32	(884)
Revaluation of land	(8,550)	-	(8,550)
Goodwill	(94,098)	(1,542)	(95,640)
Business combination (Note 32)	(269,138)	18,856	(250,282)
Other	(2,009)	(150)	(2,159)
	(374,711)	**17,196**	**(357,515)**

2013

	Thousands of Euros				
	Balance at 30/09/12	Inclusions in scope of consolidation (Note 32)	Business combination (Note 32)	Change in profit or loss	Balance at 30/09/13
Deferred tax assets:					
Provision for restructuring costs	4,343	4,173	-	2,673	11,189
Goodwill	14,279	-	-	484	14,763
Financial asset impairment losses and other	15,401	-	-	(134)	15,267
Provision for third-party liability	3,273	552	-	(248)	3,577
Other deferred tax assets	10,455	4,375	-	(2,578)	12,252
	47,751	**9,100**	-	**197**	**57,048**
Deferred tax liabilities:					
Assets contributed by Logista	(960)	-	-	44	(916)
Revaluation of land	(8,550)	-	-	-	(8,550)
Goodwill	(92,314)	-	-	(1,784)	(94,098)
Business combination (Note 32)	-	-	(287,993)	18,855	(269,138)
Other	(1,441)	(803)	-	235	(2,009)
	(103,265)	**(803)**	**(287,993)**	**17,350**	**(374,711)**

Tax credit and tax loss carryforwards

At 30 September 2014, the Group did not have any unused tax credits.

The Group's tax loss carryforwards at the end of 2014 were basically as follows:

- Spain: the tax losses not yet offset amount to EUR 6.5 million and were incurred mainly by Logista Pharma, S.A.U.

- Portugal: the tax losses not yet offset amount to EUR 13 million and were incurred mainly by Logista Transportes, Transitarios e Pharma, Lda.

- France: the tax losses not yet offset amount to EUR 16 million and were incurred by Strator, S.A.S. and Logista Promotion et Transport, S.A.S.

- Poland: the tax losses not yet offset amount to EUR 8 million.

21. Other current financial liabilities

This line item includes mainly the balance at Compañía de Distribución Integral Logista, S.A.U. relating to the credit facility granted by it to Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas, which amounted to EUR 31,109 thousand at 30 September 2014 (30 September 2013: EUR 28,799 thousand). This amount represents the balance payable by the Group to GTECH Global Lottery as a result of the account payable to the other venturer of the UTE assumed by the Group (see Note 10).

Also, at the end of 2013 this line item included the balance of the current account with Imperial Tobacco Enterprise Finance Limited amounting to EUR 87,144 thousand (see Note 28).

22. Trade and other payables

The detail of "Trade and Other Payables" in the accompanying consolidated balance sheet at 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Accounts payable for purchases and services	797,065	829,925
Notes payable	19,771	18,672
Payable to related companies (Note 28)	164,518	188,842
Advances received on orders	186	159
	981,540	**1,037,598**

Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2014 and 2013 was approximately 38 days (33 days in 2013).

23. Other current liabilities

At 30 September 2014 and 2013 "Other Current Liabilities" includes mainly the remuneration payable to the employees of the various Group companies, as well as deferred liabilities.

24. Guarantee commitments to third parties

At 30 September 2014, the Group has been provided with bank guarantees totalling EUR 154,060 thousand (30 September 2013: EUR 351,206 thousand) which, in general, secure the fulfilment of certain obligations assumed by the consolidated companies in the performance of their business activities.

In 2014 guarantees totalling EUR 174,798 thousand were released. These guarantees had been provided to cover the tax assessments issued by the tax authorities as a result of the audit by the Spanish customs authorities of the returns for excise tax on tobacco products for 2004 to 2006 and the customs duty assessments for 2001 to 2003 (see Note 19).

Also, the Group has provided guarantees for its ordinary trading operations; in this regard, the Parent's directors consider that any liabilities not foreseen at 30 September 2014 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2014, the Group had taken out insurance policies to cover possible contingencies for transport and storage in factories and representative offices, fire and third-party liability for all its work centres. The insured sum adequately covers the aforementioned assets and risks.

25. Income and expenses

a) Income

The detail of "Revenue" in the consolidated income statements for 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Iberia	2,557,788	2,608,348
Italy	2,529,752	2,749,258
France	4,454,496	4,543,301
Corporative	6,245	9,645
Adjustment due to inter-segment sales	(41,714)	(47,738)
Total	**9,506,567**	**9,862,814**

b)Staff costs

The detail of the Group's "Staff Costs" in 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Wages, salaries and similar expenses	193,705	200,250
Employer social security costs	63,787	61,468
Other employee benefit costs (Note 4.12)	1,712	3,075
Other social costs	14,253	16,441
	273,457	**281,234**

The average number of employees at the Group, by professional category, in 2014 and 2013, as well as the number of employes as of 30 September 2014 and 30 September 2013 was as follows:

2014

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/14			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	26	1	-	-	26	1	-	-
Line personnel and clerical staff	1,522	1,215	130	163	1,499	1,196	111	137
Messengers	1,628	712	359	110	1,616	730	373	113
Total	**3,176**	**1,928**	**489**	**273**	**3,141**	**1,927**	**484**	**250**
TOTAL	**5,104**		**762**		**5,068**		**734**	

2013

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/13			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	27	1	-	-	26	1	-	-
Line personnel and clerical staff	1,195	1,023	122	140	1,182	998	129	161
Messengers	2,099	974	269	74	2,039	924	260	81
Total	**3,321**	**1,998**	**391**	**214**	**3,247**	**1,923**	**389**	**242**
TOTAL	**5,319**		**605**		**5,170**		**631**	

The average number of disabled employees with a handicap higher than 33% at the Group in 2014 and 2013 was 54 and 53, respectively.

Remuneration of senior executives

The senior executive functions are discharged by members of the Management Committee.

The remuneration earned in 2014 by the members of the Management Committee of the Parent (excluding executive directors) amounted to EUR 5,136 thousand (2013: EUR 4,277 thousand). The aforementioned amounts include the amounts vested in the members of the Management Committee in 2014 and 2013 under the incentive plan described in Note 4.12.

The period contributions to the pension plans for members of the Management Committee amounted to EUR 64 thousand at 30 September 2014 (30 September 2013: EUR 62 thousand).

c) Other operating expenses

The detail of "Other Operating Expenses" in the consolidated income statements is as follows:

Cost of logistics networks

	Thousands of Euros	
	2014	2013
Leases	32,978	34,483
Security and cleaning	15,625	16,185
Utilities	20,611	20,794
Other operating expenses	108,606	84,488
Total	**177,820**	**155,950**

Commercial expenses

	Thousands of Euros	
	2014	2013
Leases	2,477	2,529
Security and cleaning	17	18
Utilities	795	291
Other operating expenses	22,150	23,047
Total	**25,438**	**25,885**

Head Office costs

	Thousands of Euros	
	2014	2013
Leases	5,011	5,122
Security and cleaning	706	864
Utilities	472	440
Other operating expenses	29,689	29,237
Total	**35,878**	**35,663**

d) Operating leases

The Company has the following future rental payment commitments, classified by year of maturity, without considering future contingent rent revisions (in thousands of Euros):

	Thousands of Euros	
	2014	2013
Within one year	29,245	26,715
Between one and five years	56,441	77,304
More than five years	10,211	16,441
Total	**95,897**	**120,460**

e) Finance income

The detail of "Finance Income" in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2014	2013
Interest income (Note 28)	11,321	5,708
Other finance income	10,450	1,666
	21,771	**7,374**

In 2014 EUR 8,126 thousand were recorded under "Other Finance Income" relating to the reversal of the provision for excise tax assessments for 2006 (see Note 19).

f) Finance expenses

The detail of "Financial expenses" in the accompanying consolidated income statements is as follows:

	Thousands of Euros	
	2014	2013
Accrual for late payment interests and financial update of provisions (Note 19)	2,034	7,839
Negative exchange differences	76	11
Other financial costs	4,995	3,739
	7,105	**11,589**

g) Other disclosures

In 2014 and 2013 the fees for financial audit and other services provided by the Company's consolidated 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, as well as the fees for services invoiced by other auditors of the stand-alone financial statements of companies under the scope of consolidation, and the companies related to such other auditors as a result of a relationship of control, common ownership or common management were as follows (in thousands of Euro):

	Services renderred by the main auditor		Services rendered by other auditors	
	2014	2013	2014	2013
Audit services	1,071	1,083	209	203
Other attest services	525	26	-	-
Total audit and related services	**1,596**	**1,109**	**209**	**203**
Tax advisory services	143	134	-	-
Other services	6	6	-	-
Total professional services	**1,745**	**1,249**	**209**	**203**

26. Segment reporting

Basis of segmentation

Segment reporting is structured by geographical segment. The Group's business activities are located mainly in Spain, Portugal (Iberian Peninsula), France and Italy. "Corporate and Others" includes Poland.

Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by Logista Group management which are generated through a computer application which categorises the transactions by geographical area.

The segment's ordinary revenue relates to the ordinary income directly allocable to the segment plus the relevant proportion of the Group general revenue that can be allocated thereto using reasonable allocation bases. Each segment's ordinary revenue does not include interest or dividend income or gains arising from sale of investments.

The expenses of each segment are determined as the directly allocable expenses arising from its operating activities plus the relevant proportion of the expenses which may be allocated to the segment using reasonable allocation bases. The expenses allocated do not include interest or losses arising from the disposal of investments; similarly, they do not include the income tax expense or the head office's general administrative expenses that are not related to the segments' operating activities and, therefore, that cannot be allocated using reasonable allocation bases.

The segment profit or loss includes interest income, dividends and gains or losses on sale of investments, and it is presented before any adjustment for minority interests.

The assets and liabilities of the segments are those that are directly related to their operations plus those that can be directly attributed to them on the basis of the aforementioned allocation system, and include the proportional part of joint ventures. Segment liabilities do not include income tax liabilities.

Primary segment reporting

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Other		Total Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Revenue:										
External sales	2,557,788	2,608,348	2,529,752	2,749,258	4,454,496	4,543,301	6,245	9,645	9,548,281	9,910,552
Tobacco and related products	2,182,692	2,242,247	2,529,752	2,749,258	4,223,401	4,357,504	6,245	9,645	8,932,488	9,348,793
Transport	316,279	315,601	-	-	-	-	-	-	316,279	315,601
Other businesses	109,728	84,855	-	-	240,801	196,110	-	-	360,131	290,826
Other adjustments	(50,911)	(34,355)	-	-	(9,706)	(10,313)	-	-	(60,617)	(44,668)
Inter-segment sales									(41,714)	(47,738)
Total revenue	**2,557,788**	**2,608,348**	**2,529,752**	**2,749,258**	**4,454,496**	**4,543,301**	**6,245**	**9,645**	**9,506,567**	**9,862,814**
Procurements:										
External procurements	(2,030,777)	(2,087,633)	(2,319,353)	(2,557,018)	(4,157,585)	(4,244,931)	-	-	(8,507,715)	(8,889,582)
Inter-segment procurements									37,161	38,278
Total procurements	**(2,030,777)**	**(2,087,633)**	**(2,319,353)**	**(2,557,018)**	**(4,157,585)**	**(4,244,931)**	**-**	**-**	**(8,470,554)**	**(8,851,304)**
Gross profit:										
External gross profit	527,010	520,715	210,399	192,240	296,912	298,370	6,245	9,645	1,040,566	1,020,970
Tobacco and related products	283,237	273,716	210,399	192,240	246,448	253,246	6,245	9,645	746,239	728,847
Transport	207,669	200,655	-	-	-	-	-	-	207,669	200,655
Other businesses	50,406	46,499	-	-	57,600	51,847	-	-	108,006	98,346
Other and adjustments	(14,302)	(155)	-	-	(7,136)	(6,723)	-	-	(21,438)	(6,878)
Inter-segment gross profit									(4,553)	(9,460)
Total gross profit	**527,010**	**520,715**	**210,399**	**192,240**	**296,912**	**298,370**	**6,245**	**9,645**	**1,036,013**	**1,011,510**
Profit (Loss):										
Segment result	91,811	76,504	43,765	36,523	23,811	23,745	(19,219)	(13,124)	140,168	123,648
Share of results of associates									(1,206)	(498)
Profit (Loss) from operations	**91,811**	**76,504**	**43,765**	**36,523**	**23,811**	**23,745**	**(19,219)**	**(13,124)**	**138,964**	**123,151**

Inter-segment sales are made at prevailing market prices.

The detail of the other disclosures related to the Group's business segments is as follows:

	Iberia		Italy		France		Corporate and others		Total Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Other disclosures:										
Additions to non-current assets	20,223	20,924	5,838	12,895	8,819	802,179	89	46	34,969	836,044
Depreciation and amortisation charge	(26,063)	(29,349)	(6,319)	(5,213)	(57,536)	(58,073)	(201)	(200)	(90,118)	(92,835)
Balance sheet:										
Assets-										
Property, plant and equipment, investment properties and non-currents assets held for sale	151,093	175,308	30,573	34,741	45,671	46,551	342	349	227,679	256,949
Other non-current assets	96,125	86,859	678,393	680,247	927,241	977,289	68	166	1,701,827	1,744,562
Inventories	387,726	384,310	238,926	265,698	440,448	558,059	-	-	1,066,650	1,208,067
Trade receivables	492,004	415,136	326,271	320,665	950,192	823,553	730	736	1,769,196	1,560,090
Other current assets									1,722,942	1,776,058
Total consolidated assets									**6,488,294**	**6,545,726**
Liabilities-										
Non-current liabilities	118,825	209,966	42,170	40,932	257,038	290,462	-	-	418,033	541,360
Current liabilities	1,402,837	1,432,118	1,609,154	1,583,448	2,614,224	2,535,305	1,618	1,671	5,627,833	5,543,542
Equity									442,428	460,824
Total consolidated liabilities									**6,488,294**	**6,545,726**

27. Foreign currency transactions

The Logista Group's foreign currency transactions in 2014 and 2013, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2014	2013
Sales	13,350	11,682
Purchases	7,049	5,400
Services received	5,498	5,252

28. Balances and transactions with related parties

The balances at 30 September 2014 and 2013 with related companies were as follows:

2014

	Thousands of Euros		
	Receivables		Payables
	Credit Facilities	Accounts Receivable	Accounts Payable
Altadis, S.A.U.	-	1,072	29,795
Altadis Canarias, S.A.	-	1,102	9,510
Imperial Tobacco Enterprise Finance Limited	1,630,593	-	-
Imperial Tobacco International Limited	-	-	19,709
Imperial Tobacco España, S.L.U.	5,072	-	-
Seita, S.A.S.	-	956	84,887
Imperial Tobacco Italia, Srl	-	90	17,034
Others	-	1,405	3,583
	1,635,665	**4,625**	**164,518**

2013

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities	Accounts Receivable	Credit	Accounts Payable
Altadis, S.A.U.	253,244	1,320	-	42,314
Altadis Canarias, S.A.	-	1,572	-	6,254
Imperial Tobacco Enterprise Finance Limited	-	-	87,144	-
Imperial Tobacco Overseas Holding	-	2,264	-	12,492
Imperial Tobacco España, S.L.	6,920	-	-	-
Seita, S.A.S.	-	1,224	-	94,359
ITL French Branch	1,312,043	-	-	-
Imperial Tobacco Italia, Srl	-	72	-	19,343
Other	-	3,796	-	14,080
	1,572,207	**10,248**	**87,144**	**188,842**

The accounts payable and accounts receivable stem from balances payable and receivable, respectively, related to commercial transactions, mainly purchases of tobacco and related products, between Logista Group companies and Imperial Tobacco Group companies.

The credit facilities with Imperial Tobacco España, S.L.U., the head of the Imperial Tobacco tax group in Spain, to which Logista belongs, correspond to the account receivable related to the settlement of income tax.

The "Credit Facilities" and "Loans" relate to cash agreements that existed in 2014 and 2013 among Compañía de Distribución Integral Logista, S.A.U., Logista France, S.A.S. and the Imperial Tobacco Group PLC, as described in Note 10.

The transactions with related companies in 2014 and 2013 were as follows:

2014

	Thousands of Euros			
	Operating Income	Finance Results	Purchases	Other Operating Expenses
Altadis, S.A.U.	8,801	1,761	396,972	-
Altadis Canarias, S.A	6,546	-	31,590	-
Tabacalera S.L. Central Overheads	4,513	-	-	-
Imperial Tobacco Italy, s.r.l.	933	-	53,169	-
Imperial Tobacco Polska, S.A.	3,227	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	796	-	-	-
Imperial Tobacco Enterprise Finance Limited	-	9,560	-	-
Imperial Tobacco International Limited	1,664	-	29,994	-
Imperial Tobacco Portugal SPPLC	403	-	-	-
Macotab, S.A.S.	-	-	-	383
SEITA, S.A.	7,470	-	457,127	438
Others	165	-	92	-
Total	**34,518**	**11,321**	**968,944**	**821**

2013

	Thousands of Euros			
	Operating Income	Finance Results	Purchases	Other Operating Expenses
Altadis, S.A.U.	10,860	3,160	423,242	-
Altadis Canarias, S.A	6,975	-	32,995	-
Tabacalera S.L. Central Overheads	1,633	-	-	146
Imperial Tobacco Italy, s.r.l.	854	-	58,999	-
Imperial Tobacco Polska, S.A.	-	-	-	3,621
Imperial Tobacco Manufacturing Polska, S.A.	-	-	-	836
Imperial Tobacco Enterprise Finance Limited	-	(734)	-	-
Imperial Tobacco International Limited	326	-	24,140	1,959
Imperial Tobacco Portugal SPPLC	38	-	-	600
Imperial Tobacco Morocco	115	-	-	-
ITL French Branch	-	2,066	-	-
Macotab, S.A.S.	-	-	384	-
SEITA, S.A.	8,129	4	503,463	-
Total	**28,930**	**4,496**	**1,043,223**	**7,162**

Operating income and other operating expenses relate to services provided by Logista for the handling, logistics and storage of goods. In addition, statistical and market information services are occasionally provided.

The purchases are included as a result of acquiring tobacco and related products, as well as convenience products related to tobacco. Specifically, the transactions with Altadis, S.A.U., Imperial Tobacco Italia, Srl, Altadis Canarias, S.A. and Seita, S.A.S. relate to purchases of tobacco and related products from these companies to then be subsequently sold in Spain, Italy, the Canary Islands and France, respectively.

29. Remuneration of directors

Remuneration of the Parent's directors

The remuneration received in all connections in 2014 by the members of the Parent's Board of Directors from 4 June 2014 and by the members of the Board of Directors of Compañía de Distribución Integral Logista, S.A.U. in the period from 1 October 2013 to 3 June 2014 in their capacity as Board members or as members of one or other of their standing committees amounted to EUR 2,929 thousand (2013: EUR 2,414 thousand).

In addition, the employer contributions to pension plans for the executive directors in 2014 and 2013 amounted to EUR 11 thousand.

In 2014 and 2013 the Parent 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.

There are no life insurance, pension or similar obligations to the Board members as a result of the discharge of their duties as such, except for the life insurance premium obligation to the CEO amounting to EUR 4 thousand in both 2014 and 2013.

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

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 Businees	Ownership Interest	Functions
Ms. Alison Cooper	Imperial Tobacco Group	Tobacco manufacture	162,111 shares	C.E.O.
Mr. Luis Egido Gálvez	Imperial Tobacco Group	Tobacco manufacture	56,427 shares	-
Mr. Kenneth Hill	Imperial Tobacco Group	Tobacco manufacture	Less than 0.01%	Special Projects Manager
Mr. Conrad Tate	Imperial Tobacco Group	Tobacco manufacture	Less than 0.01%	Corporate Development Manager
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 2013, 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

30. 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 regarding payments performed by group entities located in Spain is as follows:

Thousands of Euros	Amounts Paid and Payable at Year-End			
	2014		2013	
	Amount	%	Amount	%
Paid within the maximum payment period	2,647,484	99.68%	2,472,974	99.40%
Remainder	8,442	0.32%	15,001	0.6%
Total payments made in the year	**2,665,926**	**100%**	**2,487,975**	**100%**
Aplazamientos que a la fecha de cierre sobrepasan el plazo máximo legal	906		3,046	

The figures shown in the foregoing table relate to suppliers of goods and services for the Spanish entities under the scope of consolidation which, attending to their nature, are classified as trade creditors, and, therefore, they include the figures relating to "Accounts payables for purchases and services" and "Notes 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 weighted average period of late payment has been 6 days in 2014 and 2013.

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).

31. Environmental matters

In-force environmental legislation does not significantly affect the activities carried on by the Group and, therefore, it does not have any environmental liability, expenses, income, grants, assets, provisions or contingencies that might be material with respect to the Group's equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

32. Business combination

On 9 October 2012 (effective for accounting purposes from 1 October 2012), Compañía de Distribución Integral Logista, S.A.U. acquired all the shares of Altadis Distribution France, S.A.S. from Seita, S.A.S., an Imperial Tobacco Limited Group company. The transaction price was EUR 920,162 thousand, which were paid through the transfer of the same amount from Compañía de Distribución Integral Logista, S.A.U.'s account receivable from Altadis, S.A.U.

Altadis Distribution France, S.A.S., which changed its name to Logista France S.A.S. in 2013, is the parent of a group engaged in the provision of logistics and distribution services in France and which at the date of the business combination was composed of the following companies:

- Supergroup, S.A.S.
- Société Allumetière Française, S.A.S.
- Strator, S.A.S.
- RP Diffusion, S.A.S. (this entity has been sold in the year 2013, please refer to Note 2.7.5).

Assets acquired and liabilities assumed at the acquisition date

ASSETS	30/09/2012	EQUITY AND LIABILITIES	30/09/2012
NON-CURRENT ASSETS:		EQUITY:	
Property, plant and equipment	26,897	Share capital	50,600
Goodwill	761	Reserves of the Parent Company	19,287
Other intangible assets	2,345	Reserves at consolidated companies	52,991
Other non-current financial assets	1,473	Consolidated profit for the period	51,165
Deferred tax assets	9,100	Equity attributable to the shareholder of the Parent Company	174,043
Total non-current assets	40,576	Minority interests	-61
		Total equity	173,982
		NON-CURRENT LIABILITIES:	
		Other non-current liabilities	122
		Long term provisions	7,863
CURRENT ASSETS:		Deferred tax liabilities	803
Inventories	513,664	Total non-current liabilities	8,788
Trade and other receivables	811,329		
Tax receivables	6,829		
Other current financial assets	1,299,791	CURRENT LIABILITIES:	
Cash and cash equivalents	128,528	Bank borrowings	4
Other current assets	4,511	Trade and other payables	374,228
Total current assets	2,764,652	Tax payables	2,226,045
		Short term provisions	8,243
NON-CURRENT ASSETS HELD FOR SALE	12,291	Other current liabilities	26,229
		Total current liabilities	2,634,749
TOTAL ASSETS	2,817,519	TOTAL EQUITY AND LIABILITIES	2,817,519

Within the context of the business combination, the fair value of the assets acquired and liabilities assumed by Compañía de Distribución Integral Logista, S.A.U. was measured, giving rise to the following purchase price allocation (in thousands of euros):

	Fair value	Net booked value	Purchase Price allocation
Distribution agreements with tobacco manufacturers	776,400	-	776,400
Lands and buildings	36,983	15,618	21,365
Deferred tax liabilities	(288,796)	(803)	(287,993)

The following assumptions were relied on in determining the fair value of the distribution agreements:

- Measurement method: MEEM (multi-period excess earnings method; based on the cash flows for 15 years, less flows provided by the tangible assets that contribute to the operating cash flows to thus leave the cash flows of the intangible assets)
- Applicable discount rate: 8.66%
- Growth in perpetuity: 0.50%
- Tax rate: 36.1%

The useful life of the distribution agreements was estimated at 15 years (average three-year life for each contract and 12 further years in subsequent renewals), in view of the residual duration of the contracts with the tobacco producers in effect as of the transaction date, past trends in renewing contracts, and Logista France's market leader status in the distribution of tobacco and related products in France. Although the tobacco business was one of open competition at the transaction date, Logista France's roots in the sector have allowed it to erect high entry barriers for possible competitors, generating a situation of long-term reliance between Logista France and the tobacco producers (between 40-50 years). That said, possible deregulation of the market by the government would throw the likelihood of such contracts being renewed into further doubt, thus reducing their expected useful life.

In the case of the properties, the value assigned was the market value attached to the properties at the time they were acquired, based on appraisals conducted by independent experts, in turn based on comparable market transactions or discounts of estimated market rents.

Goodwill arising in the business combination

The amount of goodwill arising in the business combination, following the allocation of the portion of the purchase price corresponding to the fair value of the assets acquired and liabilities assumed, was EUR 236,184 thousand (Note 7).

Impact of the business combination on the Group's profit or loss

A detail of the results contributed by the Logista France, S.A.S. and subsidiaries subgroup acquired in 2013 was as follows:

	2013
Revenue	4,543,301
Procurements	(4,244,931)
Gross profit	**298,370**
Cost of logistics networks-	
Staff costs	(42,902)
Transport costs	(40,925)
Depreciation and amortisation charge	(3,929)
Other operating expenses	(34,321)
Total cost of logistics networks	(122,077)
Commercial expenses-	
Staff costs	(34,771)
Other operating expenses	(13,959)
Commercial expenses	(48,730)
Research expenses-	(3,397)
Head office expenses-	
Staff costs	(30,089)
Depreciation and amortisation charge	(1,249)
Other operating expenses	(16,845)
Total head office expenses	(48,183)
Other results	208
Profit from operations	**76,191**
Financial result	2,050
Profit before tax	**78,241**
Income tax	(20,569)
Profit for the period from continuing operations	**57,672**
Loss for the period from discontinued operations net of tax	(422)
Profit for the period	**57,250**

33. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Appendix I

Subsidiaries and jointly controlled entities of the Logista Group

The following companies were fully consolidated because they are companies in which the Logista Group holds a majority of the voting power or were accounted for using the equity method:

2014

			% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
Company	Audit firm	Location	Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	968,638	4,179,053	3,921,616	257,437	82,563
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	100	-	-	45,914	46,003	(89)	(1,189)
Distribérica, S.A.U. (b)	Not audited	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	923	758	51	707	-
Publicaciones y Libros, S.A.U. (b)	Deloitte	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	530	3,777	4,409	(632)	(372)
Distribuidora del Noroeste, S.L. (b)	BDO	Gandarón, 34 Interior- Vigo	49	51	410	3,063	1,916	1,147	111
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (b)	Not audited	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	942	724	218	64
Distribuidora de Publicaciones del Sur, S.L. (b)	BDO	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	5	2,678	2,457	221	43
Promotora Vascongada de Distribuciones, S.A. (b)	Not audited	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	-	360	640	(280)	(41)
Distribuidora de las Rías, S.A. (b)	Not audited	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña	-	100	251	1,376	1,032	344	41
Distribuidora Valenciana de Ediciones, S.A. (b)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia	-	50	-	3,131	2,356	775	79
Cyberpoint, S.L.U. (g)	Not audited	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	76	80	7	73	(4)
Distribuidora del Este, S.A.U. (b)	BDO	Calle Saturno, 11. Alicante	-	100	369	1,435	900	535	28
S.A.U. Distribuidora de Ediciones (b)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	3,513	9,291	6,987	2,304	501

Company	Audit firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
La Mancha 2000, S.A.U. (b)	Not audited	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara	100	-	1,352	2,926	639	2,287	86
Midsid - Sociedade Portuguesa de Distribuiçao, S.A. (b)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	100	-	1,374	31,133	32,391	(1,258)	(2,938)
Logista-Dis, S.A.U. (c)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	1,202	16,739	12,718	4,021	2,381
Logista Libros, S.L.U (i)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	50	-	-	40,929	40,917	12	(1,772)
Avanza Libros, S.L.U. (i)	Not audited	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	-	50	-	256	367	(111)	(92)
Logesta Gestión de Transporte, S.A.U. (e)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	4,510	33,101	26,907	6,194	1,438
Logesta Italia, s.r.l.	Deloitte	Via in Arcione 98. Roma	-	100	100	9,490	7,711	1,780	984
Transportes Basegar, S.A.	Deloitte	C/ Chavarri, S/N, Edificio Reimasa. Sestao (Vizcaya)	-	60	185	2,795	1,863	932	163
Logesta Lusa Lda	Not audited	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	-	32	71	(39)	(8)
Logesta Polska Sp. z.o.o.	Not audited	Flory nr 9, lok 6. kod-00-586 Warszawa--(Polonia)	49	51	133	2,050	1,065	985	560
Logesta Deutschland Gmbh	Not audited	Pilotystr 4. 80538- München-(Alemania)	-	100	100	1,284	968	316	265
Logesta France, s.a.r.l.	Not audited	25 Av. Du Bois de la Pie. Z.I. París Nord. 93290 Tremblay (Francia)	-	100	50	2,478	1,247	1,231	244
Dronas 2002, S.L.U. (d)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca	100	-	21,292	111,253	75,001	36,252	3,076
T2 Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria	-	100	1,657	6,483	2,479	4,004	1,007
Logista Pharma, S.A.U. (*)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca	-	100	937	23,282	22,345	937	(2,782)
Logilenia Distribuidora Farmacéutica, S.L.U.	Not audited	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	,	100	246	16,265	16,018	247	(26)
Logista Italia, S.p.A. (b)	Deloitte	Vía in Arciones, 98. Roma (Italia)	100	-	605,629	1,680,433	1,612,198	68,235	33,289
Terzia, S.p.A. (b)	Deloitte	Vía in Arciones, 98. Roma (Italia)	-	68	166	9,368	9,025	343	98

Company	Audit firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Logista Transportes, Transitarios e Pharma, Lda. (e)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	100	-	-	7,513	8,504	(991)	(306)
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (b)	Not audited	Al. Jerozolimskie 133. Warszawa. Polonia	100	-	78	1,833	1,618	215	98
Logista France, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes	100	-	920,161	2,908,774	2,708,989	199,785	48,812
Société Allumetière Française, S.A.S. (c)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes	-	100	22,128	152,410	41,128	111,282	5,474
Supergroup, S.A.S. (c)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes	-	100	7,986	79,405	68,766	10,639	(728)
Strator, S.A.S. (j)	Deloitte	Parc d'activité de la Brèche, 9 rue Olof Palme, Bâtiment Euclide, 94000 Créteil	-	100	-	4,239	16,605	(12,366)	(3,083)

(a) As indicated in Notes 1 y 2, Compañía de Distribución Integral Logista, S.A.U. is no longer the Parent Company of the Group since 4th June 2014.
(b) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal.
(c) These companies engage in the purchase and sale of consumer products.
(d) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.
(e) These companies' object is the performance of transport activities.
(f) This company engages in the provision of an integrated logistics service in the organised catering network channel.
(g) This company is specialised in software development for the management of points of sale for publications.
(h) This group engages in the distribution of marketing, promotional and advertising material to retail networks and in the distribution of other consumer products.
(i) This company has been proportionately consolidated.
(j) This company is specialised in the development and sale of software and terminals for the points of sale.
(*) In October 2013 this company's name was changed from T2 Opelog, S.A:U. to Logista Pharma, S.A.U.

2013

Company	Audit firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	100	-	-	45,564	48,270	(2,706)	(4,811)
Distribérica, S.A.U. (a)	Not audited	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	923	759	53	706	13
Publicaciones y Libros, S.A. (a)	Deloitte	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	530	4,131	4,390	(259)	(827)
Distribuidora del Noroeste, S.L. (a)	BDO	Gandarón, 34 Interior- Vigo	49	51	410	2,984	1,948	1,036	134
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	Not audited	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	925	771	154	33
Distribuidora de Publicaciones del Sur, S.L. (a)	BDO	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	5	2,823	2,645	178	203
Promotora Vascongada de Distribuciones, S.A. (a)	Not audited	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	4	658	897	(239)	(76)
Distribuidora de las Rías, S.A. (a)	Not audited	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña	-	100	251	1,366	1,062	304	39
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia	-	50	-	3,123	2,427	696	(156)
Cyberpoint, S.L.U. (f)	Not audited	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	-	90	13	77	1
Distribuidora del Este, S.A.U. (a)	BDO	Calle Saturno, 11. Alicante	-	100	369	936	429	507	138
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	3,513	8,764	6,961	1,803	856
La Mancha 2000, S.A.U. (a)	Not audited	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara	100	-	1,352	2,971	653	2,318	130
Midsid - Sociedade Portuguesa de Distribuiçao, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	100	-	1,679	29,556	27,877	1,679	(778)
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	1,202	17,603	12,774	4,829	3,195
Logista Libros, S.L. (h)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo,	50	-	892	38,559	36,775	1,784	(1,326)
Avanza Libros, S.L.U. (h)	Not audited	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	-	50	200	860	880	(20)	(3)

Company	Audit firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	4,510	35,180	29,251	5,929	1,274
Logesta Italia, s.r.l.	Deloitte	Via in Arcione 98. Roma	-	100	100	10,025	8,211	1,814	1,017
Transportes Basegar, S.A.	Deloitte	C/ Chavarri, S/N, Edificio Reimasa. Sestao (Vizcaya)	-	60	185	2,908	2,319	769	151
Logesta Noroeste, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	446	693	149	544	(206)
Logesta Lusa Lda	Not audited	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	-	32	62	(30)	(15)
Logesta Polska Sp. z.o.o.	Not audited	Flory nr 9, lok 6. kod-00-586 Warszawa--(Polonia)	49	51	133	1,218	799	419	398
Logesta Deutschland Gmbh	Not audited	Pilotystr 4. 80538- München-(Alemania)	-	100	100	1,032	981	51	47
Logesta France, s.a.r.l.	Not audited	25 Av, Du Bois de la Pie, Z,I, Paris Nord, 93290 Tremblay (Francia)	-	100	100	1,626	639	987	344
Dronas 2002, S.L.U. (c)	Deloitte	Pol, Industrial Nordeste, c/ Energía 25-29, Sant Andreu de la Barca	100	-	21,292	108,962	75,787	33,176	(4,501)
T2 Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal, C/ Entrerríos, 3, Las Palmas de Gran Canaria	-	100	1,657	6,327	2,139	4,188	1,191
T2 Opelog, S.A.U.	Deloitte	Polígono Industrial Nordeste, C/ Industria, 53-65, San Andreu de la Barca	-	100	3,369	17,665	14,295	3,370	(462)
Logilenia Distribuidora Farmacéutica, S.L.U.	Not audited	C/ Trigo, 39, Polígono Industrial Polvoranca, Leganés	-	100	272	14,568	14,296	272	(98)
Logista Italia, S.p.A. (a)	Deloitte	Vía in Arciones 98, Roma (Italia)	100	-	605,629	1,654,888	1,585,102	69,786	34,900
Terzia, S.p.A. (a)	Deloitte	Vía in Arciones, 98, Roma (Italia)	-	68	166	7,390	7,147	244	(347)
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind, Do Pasill, Lote 1-A, Palhava, Alcochete (Portugal)	100	-	-	8,262	8,948	(686)	(736)
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Not audited	Al, Jerozolimskie 133, Warszawa, Polonia	100	-	2,051	1,786	1,671	115	(404)
Logista France, S.A.S. (a)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes	100	-	920,161	2,793,980	2,643,007	150,973	42,170
Société Allumetière Française, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes	-	100	22,128	156,494	50,686	105,808	10,825

Company	Audit firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Supergroup, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes	-	100	7,986	64,415	53,048	11,367	700
Strator, S.A.S.(i)	Deloitte	Parc d'activité de la Brèche, 9 rue Olof Palme, Bâtiment Euclide, 94000 Créteil	-	85	-	5,381	14,665	(9,284)	(4,302)

(a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal,
(b) These companies engage in the purchase and sale of consumer products,
(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics,
(d) These companies' object is the performance of transport activities,
(e) This company engages in the provision of an integrated logistics service in the organised catering network channel,
(f) This company is specialised in software development for the management of points of sale for publications,
(g) This group engages in the distribution of marketing, promotional and advertising material to retail networks and in the distribution of other consumer products,
(h) This company has been proportionately consolidated,
(i) This company is engaged in development and marketing of software, and POS.

Appendix II

Logista Group Associates

The companies detailed below were accounted for using the equity method:

2014

Company	Audit Firm	Location	Activity	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
				Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Dima Distribución Integral, S.L. (*)	Deloitte	Polígono Industrial Los Olivos. C/ Confianza, 1. Getafe. Madrid	Distribution and dissemination of publications	-	12,56	-	21,841	39,195	(17,354)	(117)
Logesta Maroc, S.A. (**)	Not audited	87 Rue Ahmed El .Casablanca (Marruecos)	Transport	-	34	9	47	2	45	(4)

(*) Held indirectly through Compañía de Distribución Integral de Publicaciones Logista, S.L.U.

(**) Held indirectly through Logesta Gestión de Transporte, S.A.U.

2013

Company	Audit Firm	Location	Activity	% of ownership By the Parent Company		Net Book Company	Thousands of Euros Data on the Companies			
				Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Dima Distribución Integral, S.L. (*)	Deloitte	Polígono Industrial Los Olivos. C/ Confianza, 1. Getafe. Madrid	Distribution and dissemination of publications	-	20	-	28,791	35,690	(6,899)	(1,690)
Logesta Maroc, S.A. (**)	Not audited	87 Rue Ahmed El .Casablanca (Marruecos)	Transport	-	34	9	47	2	45	(4)

(*) Held indirectly through Compañía de Distribución Integral de Publicaciones Logista, S.L.U.

(**) Held indirectly through Logesta Gestión de Transporte, S.A.U.

Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiares

Consolidated Directors Report for
financial year
ended on September 30th 2014

1. Evolution of GRUPO LOGISTA in 2014 and position of the Group.

Grupo Logista closed on 30th September its first fiscal year after relisting in the Spanish Stock Markets on 14 July 2014. The main highlights of its results are:

- Net Income up by 16.8% to €102.3 million.
- Economic Sales[1] up by 2.4% to €1.036 million despite Revenues reduction to €9.507 million.
- Adjusted Operating Profit[2] up by 4.5% to €220.6 million.
- Dividend per share: €0.56.

Grupo Logista has ended a positive fiscal year in a still difficult market environment characterised by a progressive reduction on the tobacco volumes declining trend, a slightly better macroeconomic and consumption situation in Spain during the first months of the year and the benefits derived from the continuous efficiency improvement and cost control measures being implemented since the beginning of the crisis.

Higher revenues from diversification contributed to mitigate the impact that drop in tobacco consumption and substantially lower increase in cigarette retail selling prices compared to previous year had on Group Revenues.

Economic Sales increase and operating cost restraint policies contributed to Adjusted Operating Profit growth (+4.5%). Additionally, lower restructuring costs and impairments and the improvement in financial results, boosted Net Income growth (+16.8%) despite the rise in the effective corporate tax rate as a consequence of Logista France integration.

The advantages associated to Grupo Logista business model that proved its resilience under adverse macroeconomic circumstances, are confirmed again during a fiscal year in which our main markets have begun to signal a slight recovery.

Financial Overview

Data in million euros	Oct. 2013-Sept. 2014	Oct. 2012-Sept. 2013	% Change
Revenues	9,506.6	9,862.8	(3.6%)
Economic Sales	1,036.0	1,011.5	2.4%
Adjusted Operating Profit	220.6	211.0	4.5%
Margin over Economic Sales	*21.3%*	*20.9%*	*+40 p.p.*
Profit from operations	139.0	123,2	12,8%
Net Income	102.3	87.6	16.8%

Business review

Below are detailed the main actions for the Group during 2014 differentiating between the main geographical segments:

1. Iberia: Spain and Portugal

Revenues in Iberia reached €2,557.8 million compared to €2,608.3 million in 2013, which represents a reduction of 1.9%. However, Economic Sales were €527 million growing by 1.2% from € 520.7 million in the previous year.

The drop in "Revenues in Tobacco and related products" and in "Other and adjustments" was partially compensated thanks to the important progress registered by Other Businesses which grew 29.3% (mainly from the direct distribution to pharmacies activity).

Revenues from Tobacco and related products were essentially impacted by the tobacco consumption drop in Spain and Portugal and by the fact that the cigarette retail selling price increases were substantially lower than the previous year.

It is worth mentioning that, for the first time since 2010, cigarette volumes distributed in Spain registered a year-on-year drop below double digit, being -3.8% vs. -12% in the previous year.

The reduction on this declining trend may be supported by various factors:

- slight recovery in unemployment and consumption
- lower increase of retail selling prices (+5 cents per pack compared to +25 cents per pack in 2013)
- the partial shift from RYO consumption as a consequence of the reduction in price differential between both categories resulting from a higher excise taxation over RYO that caused a decline in RYO volumes for the first time in recent years (-12.3% vs. 11.3%).

The illicit products and contraband volumes during the year continued representing a significant portion of tobacco consumption in Spain despite a small reduction (around 11% compared to 12%).

The sale of other products in the tobacconist channel was affected by the RYO consumption drop (directly linked to the sales of papers, tubes and filters) in spite of sales growth in other products.

Economic sales in this activity grew by 3.5% up to €283.2 million due to the increase gross profit per unit derived from a higher distribution complexity and the invoice of other value added services as well as sales of other products through the tobacconist channel. Additionally, at the beginning of the year most of the litigation regarding Excise Duty assessments from 2004 to 2006 was settled with positive resolutions in respect to 2006, so the associated provisions were released.

Revenues in Transport were almost stable compared to previous year reaching €316.3 milion after several years of contraction. The general activity recovery in Spain contributed to this change in trend, especially meaningful in the courier segment.

Economic Sales recorded a positive performance to €207.7 million (+3.5%)

The rise in flows from high margin products as pharmaceutical and electronic combined with an adequate management of subcontracting transport costs mitigated the impact of tobacco volumes decline in the international transport activity.

Regarding parcel and courier activities, there was a progressive improvement in the number of shipments and volumes during the year, but the pressure on tariffs was similar to previous years.

Revenues in Other Businesses recorded a very positive performance, growing by 29.3% up to €109.7 million.

The sales in Pharma continued showing an important development mainly derived from the growth registered in the direct distribution to pharmacies activity and, to a lesser extent in the pre-wholesaling distribution.

The pharmaceutical sector in Spain has experienced a certain recovery during the year (data from Farmaindustria):

- The drop in the pharmaceutical expenditure in prescriptions from the National Health System was slowed down (+3% y-o-y july 2014/July 2013 vs. -6% y-o-y December 2013/December 2012)
- The pharmaceutical public expenditure in hospitals was up by 2.5% during calendar year 2013.
- The private expenditure, particularly in OTC and healthcare, grew by 11% in the first seven months of 2014.
- The percentage of direct distribution from laboratories to pharmacies continued growing, reaching 18%

Pharma continued advancing in its strategy to increase the average sale by pharmacy with especial focus on the biggest pharmacies (those with annual sales above €600,000) having increased substantially the number of clients among these pharmacies as well as their average purchase.

Economic sales in Pharma grew compared to the previous year at a lower rate than the Revenues due to the relative weight increase of the direct distribution to pharmacies activity with respect to the pre-wholesaling segment as, in the latter, the Economic Sales are the Revenues from logistics services.

Both Revenues and Economic sales in Books in Spain have risen after the addition of new business lines (distance and internet sales distribution) despite the fact that the sales in the sector have continued to fall in line with previous year.

Revenues in Others and adjustments declined due to the divestments undertaken in 2013 and the adaptation of the distribution contract of ONCE games to the difficult market environment.

As a result of the new contract signed in December 2013, Logista provides logistics services and administrative management of the point of sales, ceasing the Logista-GTECH joint venture the commercialisation of products, which ensures breakeven as a minimum. In this new context, the revenues from the distribution of ONCE lottery games were significantly reduced.

Revenues in publications distribution declined reflecting the general trend in the sector and the divestement of the Portuguese activities, despite the addition of new contract during 2014.

Adjusted operating profit was €109.1 million, up by 14.8% compared to previous year.

This growth was due, to certain extent, to the evolution in 2013 and 2014 of the irregular results (variation of inventories' valuation, following tobacco retail selling prices or taxation changes) and to the release of provisions associated to litigation.

Not taking into consideration these effects, the regular activity has shown a positive performance thanks to the constant cost savings and efficiency improvement measures and the recovery experienced by the transport activity.

Profit from operations reached €91.8 million compared to €76.5 million in 2013, up by 20%, after lower non-recurring effects (especially impairments of assets and goodwill) were recorded during the year.

During 2014 an impairment of the Lottery assets was accounted for and now these assets are completely provisioned in line with the new scope of the contract with ONCE.

2. Italy

This has been the first complete year after the new operating model was implemented in 2013. During the transition process, the level of service to our clients was kept and was considered by them a success.

The new operating model involved the transformation of the old network of local warehouses (540 at the time of acquisition) into 175 local service points, consolidating picking activities in 6 central/regional warehouses which allows a more flexible management of inventories and operations and improving, at the same time, the level of service. In the same way, the commercial coverage in the wholesale activity of other products was reinforced by the presence in all the stores and/or cash & carries located in the local service points not only of tobacco but also of other products portfolio.

Revenues in Italy reached €2,529.8 million compared to €2,749.3 million in 2013, down by 8%

Although tobacco consumption in the Italian market was practically equal to the previous year, the effect of lower cigarette retail selling prices resulted in a revenues figure below previous year.

Cigarette distributed volumes in Italy showed a slightly negative trend well below 2013 (-0.4% vs. -6.1%) with declines in cigarette retail selling prices per pack after the repositioning of certain brands to the low-price segment.

As opposed to what happened in the Spanish and French markets, the RYO category registered a positive performance (+3.4% vs. -1.2% in 2013).

The sales of other related products to the tobacconist channel were supported by the implementation of the new operating model and the boost of other commercialisation channels as point of sales terminal, website, call centre, etc. All these factors contributed to a significant growth in revenues from other products with respect to 2013.

Despite the fall experienced by Revenues, Economic sales in Italy grew by 9.4%, reaching €210.4 million compared to €192.2 million in 2013. During the previous year, Economic Sales were affected by a provision amounting €8.4 million as a consequence of a rise in VAT not followed by a rise in retail selling prices by tobacco manufacturers.

The distribution fees and the additional services invoiced mitigated the impact of the slight decline in tobacco volumes, significantly lower that previous year. Additionally, the growth in sales of other products to the tobacconist channel and the higher margin of Economic sales over Revenues contributed to Economic sales growth in the Italian segment.

Adjusted operating profit was up by 18.2% to €44.9 million from €37.9 million the year before, as a result of lower irregular results from variations in retail selling prices and taxes. Profit from operations performed in a similar way and, after lower restructuring costs, reached €43.8 million increasing by 19.8%.

3. France

Revenues were €4,454.5 million down 2% from €4,543.3 in 2013 while Economic Sales experienced a slight decline (-0.5%) reaching €296.9 million from €298.4 million in 2013.

The positive evolution of Other businesses Revenues, which grew 22.8%, did not fully offset the decline in Tobacco and related products Revenues (-3.1% compared to 2013).

As in the Iberian segment, the revenues in Tobacco and related products were mainly affected by the tobacco consumption decline and by retail selling price increases not compensating the volumes reduction and well below those of previous year.

Distributed cigarette volumes in France followed a lower negative trend than in 2013 (-4.6% vs. -9%) despite the fact that the retail selling price increases per pack, as mentioned before, were lower than in the previous year (+20 cents compared to +60 cents in 2013).

The RYO category registered as well a negative performance (-2.6% vs. +2.2% in 2013) as a consequence of the reduction in the price differential with cigarettes.

These drops were a consequence of several factors, among others:

- lower macroeconomic growth and unemployment rate increasing
- reduction on RYO consumption due to a lower price differential to cigarettes
- increase in cross border sales (that has derived in a downward review of the authorized quantities to be transported from other countries)
- a considerable increase of illicit products and contraband volumes during the year, reaching 25% of consumption (according to a report by KPMG).

The sales of other products to the tobacconist channel were mainly affected by the decline in electronic transactions that kept a similar decline trend as the mobile top-ups market shrank following the launch of aggressive offers from some telephony operators in the last years. However, the growth in other electronic transaction products mitigated the effect of this decline.

Economic sales were down by 2.7% reaching €246.4 million due to tobacco consumption fall, partially offset by higher gross profit per unit derived from the increase in distribution complexity and by invoiced value added services to manufacturers and other products sales.

Revenues in Other Businesses (wholesale distribution of convenience products in non-tobacconist channels) reached €240.8 million, showing an important rise (+22.8%) from the previous year as a result of the strong market share gain of the group in this sector.

After the bankruptcy of one of our competitors at the beginning of the fiscal year, the group added new clients in the different channels in which we operate. The commercial effort undertaken allowed to reinforce our leading position in the food distribution at ambient temperature to the petrol station channel and to continue growing in the distribution to vending machine operators.

Economic sales showed a positive performance too (+11.1%) reaching €57.6 million. The lower growth rate than in Revenues was due to the addition of a high percentage of customers that, given their typology, provide a lower margin of Economic sales over Revenues and to the relative weight increase of drinks in the mix of distributed products due to the growth in distribution to vending machine operators.

Adjusted Operating profit in France was €78.4 million vs. €90.9m in the previous year, down by a 13.7%. This decline was mainly driven by the lower cigarette retail selling price increases and the growth in cost related to the addition of new clients in Other Businesses.

Operating Profit increased to €23.8 million, up by 0.3%, as a result of the lower restructuring costs.

During the fiscal year, a regional warehouse placed in Nancy was closed to adapt the structure to the volume decreases in the French market.

It is worth highlighting that the most important adjustment in this segment is the Intangible Assets Amortization related to the Logista France's acquisition at the beginning of the fiscal year 2013, reaching €52.2 million per year for a period of 15 years.

4. Corporate and others

Regarding to the Adjusted Operating Profit, the expenses related to this segment reduced by 8.6% to €11.7 million, showing the constant cost control measures and adaptation of the corporate structure with the activity evolution carried out during the last years.

Financial result evolution

Financial results reached €14.7 million vs. -€4.2 million in the fiscal year 2013, driven by the financial income increase as well as by the lower financial expenses.

Financial income increased to €21.8 million vs. €7.4 million in the previous year, as a result of several factors: the higher remuneration of the group's cash, the lower average cash position (the average cash position was € 1,126 million in 2014 and €1,243 million in the previous year) and the release of provisions for delayed interests payments related to the pending litigation regarding the Excise Tax settlement, which was solved with favorable judgments in the first semester of this fiscal year.

The cash remuneration in the fiscal year 2013 was related to the EONIA interest rate plus a differential of 12.5 basis points in the case of France, while in the case of Spain and Italy it was related to the reference rate of the European Central Bank plus 75 basis points. In the fiscal year 2014, this cash remuneration was related for the entire Group to the reference rate of the European Central Bank plus 75 basis points.

Financial expenses reduced from €11.6 million in 2013 to €7.1 million in 2014, mainly driven by the reduction of the provision for possible delayed interests payments related to pending litigation.

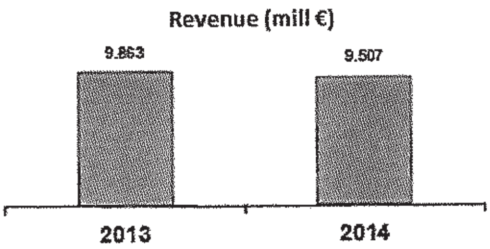
Net income evolution

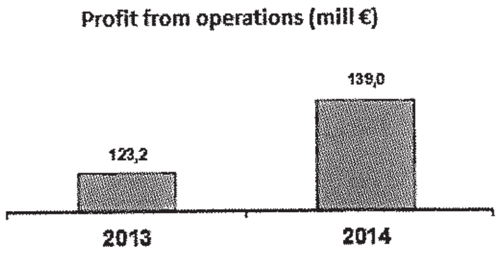
Earnings before Taxes increased to €153.6 million, up 29.2%, while the Net Income increased by 16.8% mainly as a result of the higher consolidated effective tax rate, which reached 35.2% from 25.5% in the previous year.

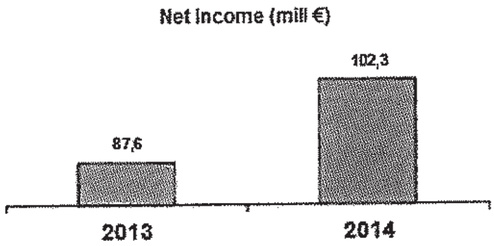
The effective rate of the period was in line with what we can be considered a normalized effective rate for the group because the consolidated effective rate for the fiscal year 2013 was abnormally low as it was positively affected by the benefits obtained by Logista France from its previous fiscal group, before the acquisition by Grupo Logista.

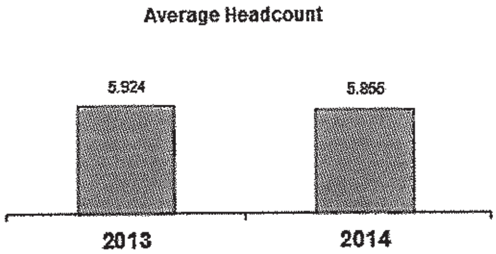
Basic earnings per Share reached €1.4 (€0.77 if calculated over existing shares on September 30th 2014).

Against the indicators for the year 2013 (October 2012 - September 2013) - The evolution recorded by the main indicators for the year 2014 (October 2013 - September 2014) is shown below:









Cash flow

The total flow from operating activities reduced from €217 million to €181 million, mainly due to the payment of €54 million due to Court settlements that were already provisioned by the Company. This impact was partially offset by a higher Result before taxes from continuing activities, an improvement of working capital variation and a higher financial income obtained as a result of the higher interest rate of the group's cash during the fiscal year 2014.

Additionally, dividend payments increased from €74 million to €119 million.

Dividend policy

The Grupo Logista's Board of Directors intends to propose to the General Shareholders Meeting the distribution of a dividend of €74 million for fiscal year 2014 (€0.56 per share).

Risk Exposure

The main risks and uncertainties facing the Group relate to possible regulatory changes in the industries in which it operates, the normal operational risks arising in the ordinary course of business, which are insured externally, and counterparty risks.

The Group could also be affected by the risks arising from the adverse economic climate worldwide and their possible impact on consumption in the markets and industries in which the Group is present.

The Group complies with all the requirements and has all the licences and permits, etc. required to operate in the various markets and industries in which it carries on its business activities, and it has established, through its organisational structure, the appropriate procedures and controls to enable it to identify, prevent and mitigate the risks of change in the regulatory framework and, similarly, to comply with the obligations imposed by the various legislations applicable to it. In this management report we will focus on the risk management and control systems of financial risks, for a broader description of risk management and control systems of the Group see point E of the Annual corporate governance report.

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments. These items represent the Group's maximum exposure to credit risk.

The Logista Group currently has the following units and committees which ensure the effectiveness of the risk controls in place:

- Security Committee: Its role is to prevent risks and threats of an antisocial nature and to protect the assets and employees of Logista or any of its undertakings against such risks and threats.

- Environment and Quality Committee: This committee establishes the action policy for the various business units of the Logista Group in all matters relating to its commitment to the environment and quality, and fosters the implementation of and adherence to these action principles by issuing internal corporate regulations.

- Internal Control and Crime Risk Prevention Committee: Reporting to the Directors Board's Audit and Control Committee , its objectives are i) ensure the continuous development and execution of the Internal Control System of the Group, in all the countries and businesses, and ii) safeguard the effective prevention of criminal risks in the Logista Group's companies in Spain.

- Administration and Internal Control Department - Insurance Area: the Administration Department is responsible for analysing the accidental risks which may affect both the Logista Group's assets and the performance of its business activities and, in the light of these risks, it arranges the external insurance coverage it deems necessary. It is also responsible for protecting the Group's assets and ensuring the reliability of financial reporting.

- Cash Department – Financial Risk and Credit Area: Its functions are to limit and control any financial risks arising from commercial relationships with third parties, establishing, where necessary, the related credit limits, and to set a doubtful debt provisioning policy.

- Internal Audit Department: the Company's Internal Audit Department is responsible for providing support to the Directors Board's Audit and Control Committee and the Group's Internal Control Committee in complying with its duties and responsibilities, furnishing it with objective analyses, assessments and recommendations in accordance with the established work plan. Specifically, the main activities to be performed are as follows:

    - Participate in the monitoring of the external auditors' work, including the planning, quality, independence and terms of business thereof.

    - Assist in the review of the Group's financial information, particularly in unaudited periods.

    - Guarantee appropriate system for the evaluation of the internal control and information systems, identifying the possible improvements therein and promoting their implementation.

    - Identify risks and assess the associated controls, mainly by carrying out the annual audit plan.

    - Provide technical support to Group management on financial and accounting matters as and when required.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, estimated by Group management based on prior experience and its assessment of the current economic environment. The Group's credit risk is not particularly high since its customer portfolio is very fragmented and distributed among 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 the action taken by it with the aim of preserving the value of the Group's assets and, as a result, the value of the Sole-Shareholder's investment. Through the Group's global risk management approach, the risk management system is structured and defined to achieve the strategic and operating objectives. This system for controlling risks is managed and supervised by the Audit Committee and the Board of Directors, which delegates these functions to Internal Audit and Internal Control.

The Group's Financial Department has the basic objective of preserving the value of the Group's assets in all its business units and in all the countries in which it operates (mainly Spain, Italy, France, Portugal and Poland) by analysing and preventing risks and optimising the management of the main losses.

Default rates in all the geographical areas in which the Group operates have historically remained at very low levels.

In relation to liquidity risk, the Group holds sufficient cash and cash equivalents to meet the payment obligations arising from its ordinary operations. Also, if it needs ad-hoc financing, the Group has credit lines available to it.

In relation to exposure to interest rate risk, in view of the Group's low level of financial debt, the Parent's management considers that the impact that a potential rise in interest rates could have on the accompanying consolidated financial statements would not be significant.

Additionally, the level of exposure of the Group's equity and consolidated income statement to the effects of future changes in prevailing exchange rates is not significant since the Group's volume of transactions in currencies other than the euro is not material.

Environment

Grupo Logista remains committed to the continuously improving the environmental sustainability of its activity and continues working on the projects defined in its Environmental Corporate Strategic Plan for 2014-2016. The Environmental Corporate Strategic Plan include different projects, such as Environmental Balanced Scorecard, energy efficiency management, calculation and verification of carbon footprint, industrial and environmental legislation database, environmental awareness tool, etc.

During the fiscal year 2014, Grupo Logista has implemented a system for analyzing and calculating the greenhouse effect gas emission for every activity. This system is based on the internationally reputed GHG Protocol methodology and on the UNE-EN-16258:2012 standard, which allows the calculation of greenhouse effect gas emissions in the freight transport services. These calculation and amount of greenhouse effect gas emission have been externally verified according to ISO 14064 standard.

This project adds to others also developed during the year, as the implementation of an integrated system for the use, return and reuse of the cardboard boxes used in deliveries to some 13,000 tobacconists existing in Spain. With this project, Logista has extended the model already in France and has achieved an approximately 80% reduction in the use of cardboard boxes, eliminating the use of 2.8 million of boxes and some 1,445tn of cardboard.

In this year, Grupo Logista has set its commitment to the continuous improvement in the environmental sustainability of its activity by approving the Corporate Policy for Quality, Environment and Energy efficiency.

2. Significant events for the group after the reporting period.

No significant events took place after the reporting period that could affect a significant impact on the accompanying consolidated financial accounts.

3. Outlook.

For next fiscal year, the Group expects to maintain its leadership position in the distribution to extensive points of sale networks in Southern Europe.

Considering the recent evolution of the tobacco volumes, we expect that this decreasing trend is maintained at a similar level, not expecting significant variations in taxation in any of our main geographies.

The commercial efforts will be focused on increasing the sales of other products different to tobacco in the tobacconist channel, as well as in other channels (petrol stations, newsstands, press-shops, convenience shops, etc) in our three geographical segments. Also, a progressive improvement in the macroeconomic conditions could imply acceleration in the growth rate of these products' sales.

Particularly in the Iberia segment, the first signs of economic recovery in Spain during the first months of 2014 could allow us to expect a good performance in our transport activity due to its high correlation with the macroeconomic situation.

Also, we will continue working to increase our market share in the direct distribution to pharmacies. The main actions will focus on extending the product portfolio offered to the pharmacies through new agreements with laboratories and manufacturers, as well as on increasing the loyalty level of the pharmacies with highest sales, generally related to OTC and healthcare products.

Regarding the cost structure, we will continue with the programs to improve the efficiency and to obtain synergies derived from the integration of different businesses, and we will also continue working on the cost reduction to adapt them with the activity level taking advantage from the "vertical distributor" model of Logista in which stock management is concentrated at the central/regional warehouses, providing capillarity through the network of service points. The goal is to continue reaching improvements in the adjusted operating profit over economic sales.

The measures mentioned above and the expected restructuring cost reduction and impairments allow us to expect again an increase of the Net Income in the fiscal year 2015 and consequently, an increase of the dividend, which will be 90% of the Net Income, except in exceptional situations.

[1] Economic Sales: This terms equals Gross Profit and is used without distinction by the Management to refer to the figure resulting of subtracting Procurements to the Revenue figure.

[2] Adjusted Operating Profit is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for fiscal years 2014 and 2013 is shown (data in million Euros):

	2014	2013
Profit form operations	**139**	**123**
Restructuring costs	10	20
Amortisation of intangible assets- Logista France acquisition	52	52
Net loss on disposal and impairment of non-current assets	16	14
Share of results of companies and others	4	1
Adjusted operating profit	**221**	**211**

4. Research and development activities.

The Group invested €5.4 million in development activities in 2014. These investments were made mainly to adapt new businesses, automate processes and develop own software.

5. Treasury shares.

At 30 September 2104, the Group did not have any treasury shares.

6. Use of financial instruments.

No Group company uses financial instruments that might affect the correct measurement of the assets and liabilities recognised in the consolidated balance sheet.

7. Corporate Governance Annual Report

Included below as a Consolidated 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	Numbe r 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	"ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12, 2014. 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. It establishes the confidentiality of the business information of the Company and the separation of their respective IT systems. The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.
IMPERIAL TOBACCO ENTERPRISE FINANCE LIMITED (ITG FINANCE)	Contractual	"INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12, 2014 Agreement on a revolving credit facility, for five years (with a yearly express renewal), with a maximum disposal limit of two thousand million euros. 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.

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	---	Chaiman	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

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 Garmendia 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

	(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.

Stéphane Lissner	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 !998-2005); 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.

Eduardo Zaplana Hernández-Soro	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 *Comunidad Valenciana* (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

	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

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 [X] 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 [X]

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 [X]

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 [X] No [ ]

Explanation of the Rules
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

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 [X] 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

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 [X]

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 [X] 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
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.

	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 plenay session approve the removal?	X	

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

Yes ☒ **No** ☐

Remarks
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: *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).*

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 ☐

<u>Details of the procedure</u>

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

Category of beneficiaries	Agreement description
Certain Senior Managers	- 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.

	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
Dª. 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.

<u>The Appointments and Remuneration Committee</u>

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
The Board of Directors, subject to prior approval of the Audit and Control Committee

Procedure to approve related-party transactions
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. *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.* *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.* *In the case of ordinary transactions, a general authorisation of the line of operations and its execution conditions shall be sufficient.* *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.* *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.* *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.* *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.*

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 /Financial	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.

<u>Corporate Finance Department</u>

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.

<u>Internal Audit Department</u>

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
  - 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.
  - 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:
  - 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.
  - 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, analized 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 of 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 advices 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 dully 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, Organiztion, 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	X	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	X

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 goversn 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 aplicable ☒

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 filled 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 ☒

Deloitte

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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.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

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

Consolidated Financial Statements and Consolidated Directors Report for the year ended 30 September 2014, have been formally prepared by the Parent Company Board of Directors, Compañía de Distribución Integral Logista Holdings, S.A., 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 Consolidated Directors Report, is included below as a Consolidated Directors Report separate section.

Consolidated Financial Statements and Consolidated Directors Report are set forth on 78 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

Dª. 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