

REPORT OF THE BOARD OF DIRECTORS ON THE APPOINTMENT BY CO-OPTION OF THE PROPRIETARY DIRECTOR MR. RICHARD GUY HATHAWAY AND THE REPORT-PROPOSAL TO THE GENERAL SHAREHOLDERS MEETING TO RATIFY IT

1.- Explanatory Report from the Board of Directors on the proposal of appointment as a Director, by co-option, of Mr. Richard Guy Hathaway

In a communication written on 18 February and addressed to the Chairman and to the Secretary of the Company's Board of Directors, Mr. Adam Britner had presented his resignation as a Director of the Company, for professional reasons in Imperial Tobacco Group PLC ('ITG'), which prevented him from attending Board Meetings regularly.

Mr. Britner had been a proprietary Director because he had represented ITG – the indirect majority shareholder of the Company – on the Board of Directors.

In accordance with the rules of the Framework Agreement of 12 June, 2014, signed between the Company and ITG, the latter had proposed the appointment of four of the ten directors who currently constitute the Company's Board of Directors.

According to the rules of the Framework Agreement, the vacancy resulting from Mr. Britner's resignation has to be filled by another Director who will represent ITG on the Board.

ITG had proposed the appointment of Mr. Richard Guy Hathaway to fill the vacancy that had arisen.

Mr. Richard Guy Hathaway is currently Director of Strategic Financial Projects and is responsible for leading Risk Management at ITG. He is a Mathematics graduate from Oxford University and a Fellow of the Institute of Chartered Accountants (ACA and FCA).

For a large part of his professional career he has worked at KPMG, as the manager of several departments in the United Kingdom and in Continental Europe, and as a partner in the area of Transactional Services.

In its meeting of today, 24 March, the Appointments and Remuneration Committee reported in favour of the proposal to appoint, by co-option, Mr. Richard Guy Hathaway as a Director, for the statutory period of four years, and subject to the ratification of the appointment by the next General Shareholders' Meeting.

Mr. Richard G. Hathaway would be a proprietary Director, as he would be representing ITG on the Company's Board of Directors, in accordance with the provisions of Article 529 duodecies 3 of the Law of Capital Companies, and of Article 7.2) b) of the Rules of the Company's Board of Directors (Consolidated Text of 16 December, 2014).

In view of the description of Mr. Richard Hathaway's background, the Board of Directors, unanimously, considered that he has sufficient ability, experience and merits to be appointed a Director of the Company and to act in that capacity. Accordingly, the Board of Directors unanimously agreed to formalize its appointment, by co-option, to fill the vacancy left after Mr. Adam Britner resignation.

The present report has been unanimously approved by the Board of Directors, pursuant article 529 decies 5, of the Law of Capital Companies, and it is annexed to the Minutes of the Board meeting, in accordance to that same article.

In Leganés, on 16 December 2014.

The Secretary Director,

Rafael de Juan López

2. Report-Proposal of the Board of Directors to the General Shareholders' Meeting to ratify the appointment by co-option of Mr. Richard Guy Hathaway as a proprietary Director

On 24th March, 2015, following a report in favour from the Appointments and Remunerations Committee, the Company's Board of Directors appointed, by co-option, Mr. Richard Guy Hathaway as a Proprietary Director, subject to ratification by the next General Shareholders' Meeting.

This appointment was preceded by the explanatory report required by Article 529 decies 5 of the Law of Capital Companies, annexed to the minutes of the aforementioned Board Meeting, in which there was a positive evaluation of the

experience and merits of the candidate proposed by the Imperial Tobacco Group PLC – the Company’s majority shareholder – for the performance of the duties of this position as Director.

After establishing that there had been no change in the circumstances that had led to the appointment of Mr. Richard Guy Hathaway as a Proprietary Director, and in view of the manner in which he has performed his role up to now, the Appointments and Remunerations Committee in its meeting of 26th January, 2016, unanimously reported in favour of the Board of Directors proposing to the General Shareholders’ Meeting that it ratify the appointment of Mr. Richard Guy Hathaway as a Proprietary Director.

Accordingly, the Board of Directors agreed to propose to the General Shareholders’ Meeting that it ratify the appointment of Mr. Richard Guy Hathaway as a Proprietary Director.

The foregoing Report/Proposal is the one that was prepared by the Board of Directors in its session of 26th January, 2016.

Leganés, 26th January, 2016.

The Secretary Director,

Rafael de Juan López