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

Condensed consolidated financial statements for the year ended 30 September 2014 and Interim Directors' Report

Translation of condensed consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

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

CONDENSED CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2014 AND 30 SEPTEMBER 2013

(Thousands of Euros)

ASSETS	Note	30-09-2014 (*)	30-09-2013
NON-CURRENT ASSETS:			
Property, plant and equipment	4	213,437	242,732
Investment property		12,851	12,941
Goodwill	5	919,190	919,190
Other intangible assets	6	713,787	756,278
Investments in associates		38	36
Other non-current financial assets	7	9,407	12,010
Deferred tax assets	12	59,405	57,048
Total non-current assets		1,928,115	2,000,235
CURRENT ASSETS:			
Inventories	8	1,066,650	1,208,067
Trade and other receivables		1,769,196	1,560,090
Tax receivables	12	15,257	14,495
Other current financial assets	7	1,668,528	1,601,787
Cash and cash equivalents		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		26,550	26,550
Share premium		942,148	178,814
Reserves of the Parent		(176)	7,172
Reorganization reserves		(753,349)	-
Reserves at consolidated companies		142,676	138,882
Translation differences		180	137
Reserves from first appliation of IFRS		19,950	19,950
Consolidated profit for the period		102,347	87,605
Interim dividend paid during the year		(39,825)	-
Equity attributable to shareholders of the Parent		440,501	459,110
Minority interests		1,927	1,714
Total equity	10	442,428	460,824
NON-CURRENT LIABILITIES:			
Other non-current financial liabilities	9	4,940	4,943
Other non-current liabilities		300	526
Long-term provisions	11	55,278	161,180
Deferred tax liabilities	12	357,515	374,711
Total non-current liabilities		418,033	541,360
CURRENT LIABILITIES:			
Bank borrowings	9	2,623	3,729
Other current financial liabilities	9	32,560	115,943
Trade and other payables		981,540	1,037,598
Tax payables	12	4,537,675	4,321,421
Short-term provisions	11	18,068	10,154
Other current liabilities		55,367	54,697
Total current liabilities		5,627,833	5,543,542
TOTAL EQUITY AND LIABILITIES		6,488,294	6,545,726

(*) Not audited

The accompanying Notes 1 to 16 are an integral part of the condensed consolidated balance sheet at 30 September 2014.

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

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

(Thousands of Euros)

	Note	2014	2013
		(*)	
Revenue	13	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		(163,645)	(164,995)
Transport costs		(204,240)	(205,387)
Provincial sales office expenses		(69,755)	(71,261)
Depreciation and amortisation charge		(85,715)	(87,499)
Other operating expenses		(177,820)	(155,950)
Total cost of logistics networks		(701,175)	(685,092)
Commercial expenses-			
Staff costs		(41,445)	(42,270)
Other operating expenses		(25,438)	(25,885)
Total commercial expenses		(66,883)	(68,155)
Research expenses-		(2,675)	(3,397)
Head office expenses-			
Staff costs		(67,002)	(73,969)
Depreciation and amortisation charge		(3,759)	(4,670)
Other operating expenses		(35,878)	(35,663)
Total head office expenses		(106,639)	(114,302)
Share of results of companies		(1,206)	(498)
Net loss on disposal and impairment of non-current assets		(16,143)	(14,404)
Other expenses		(2,328)	(2,511)
Profit from operations-		**138,964**	**123,151**
Finance income		21,771	7,374
Finance costs		(7,105)	(11,589)
Profit before tax-	13	**153,630**	**118,936**
Income tax	12	(54,071)	(30,329)
Profit for the period from continuing operations-		**99,559**	**88,607**
Loss for the period from discontinued operations net of tax		2,959	(1,022)
Profit for the period-		**102,518**	**87,585**
Attributable to-			
Shareholder of the Parent		**102,347**	**87,605**
Minority interests		171	(20)
Basic earnings per share		**1.40**	**1.98**

(*) Not audited

The accompanying Notes 1 to 16 are an integral part of the condensed consolidated income statement for the year ended 30 September 2014.

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

CONDENSED 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 25)	(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**
Total effect of changes in accounting policies	-	-

(*) Not audited

The accompanying Notes 1 to 16 are an integral part of the condensed consolidated statement of comprehensive income for the year ended 30 September 2014.

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

CONDENSED 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	Reorganization reserves	Reserves at Consolidated Companies	Translation Differences	Valuation Adjustments	Profit for the Year	Interim dividend paid during the year	Total	Minority Interests	Total Equity
Balance at 30 September 2012	26,550	178,914	6,876	-	131,516	166	19,950	82,186		446,058	1,812	447,870
Net profit for the period 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 17)	-	-	-	-	-	-	-	(74,340)	-	(74,340)	-	(74,340)
Sale of minority interests	-	-	-	-	-	-	-	-	-	-	(17)	(17)
II. Business combination (Note 39)	-	-	-	-	-	-	-	-	-	-	(61)	(61)
III. Other changes	-	-	-	-	(184)	-	-	-	-	(184)	-	(184)
Balance at 30 September 2013	26,550	178,914	7,172	-	138,882	137	19,950	87,605	-	459,110	1,714	460,824
Net profit for the period attributable to the Parent	-	-	-	-	-	43	-	102,347	-	102,390	-	102,390
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	171	171
Actuarial losses	-	-	-	-	(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 17)	-	-	-	-	-	-	-	(79,650)	-	(79,650)	-	(79,650)
Reorganization reserves increase/decrease	-	763,334	(10,101)	(753,349)	-	-	-	-	-	(116)	-	(116)
Interim dividend paid during the year	-	-	-	-	-	-	-	-	(39,825)	(39,825)	-	(39,825)
Acquisition of minority interests	-	-	-	-	(42)	-	-	-	-	(42)	42	-
III. Other changes	-	-		-		-	-	-	-		-	
Balance at 30 September 2014 (*)	26,550	942,148	(176)	(753,349)	142,678	180	19,950	102,347	(39,825)	440,501	1,927	442,428

(*) Not audited

The accompanying Notes 1 to 16 are an integral part of the condensed consolidated statement of changes in equity for the year ended 30 September 2014.

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

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

(Thousands of Euros)

	2014 (*)	2013
OPERATING ACTIVITIES:		
Consolidated profit before tax from continuing operations	**153,630**	**118,936**
Adjustments for-		
Profit of companies accounted for using the equity method	1,206	498
Depreciation and amortisation charge	90,118	92,169
Impairments	14,795	10,876
Period provisions	(14,411)	30,098
Proceeds from disposal of non-current assets	567	(88)
Other adjustments to profit	-	9,312
Financial profit	(14,666)	4,215
Adjusted profit	**231,239**	**266,016**
Net change in assets / liabilities-		
(Increase)/Decrease in inventories	139,947	(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	181,788	(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	**181,459**	**217,020**
INVESTING ACTIVITIES:		
Net investment in property, plant and equipment	(19,175)	(24,737)
Addition to intangible assets	(15,944)	(11,360)
Investments 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	**(94,801)**	**(134,087)**
FINANCING ACTIVITIES:		
Dividends paid (-)	(119,475)	(74,340)
Changes in current borrowings	(84,489)	(33,306)
Changes in non-current borrowings	(229)	(174)
Total net cash flows from financing activities	**(204,193)**	**(107,820)**
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 incorpored by the additions to the scope of consolidation	-	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**

(*) Not audited

The accompanying Notes 1 to 16 are an integral part of the condensed consolidated cash flow statement for the year ended 30 September 2014.

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

Notes to the condensed consolidated financial statements for the year ended 30 September 2014

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, but with the Company thereafter becoming the Parent Company of said Group (see Note 2.4).

The Company has registered office at Polígono Industrial Polvoranca, calle Trigo, no. 39, Leganés (Madrid) and its present company object includes the following activities:

1. The management and administration of the securities of companies both resident and non-resident in Spain, through the related organisation of material and human resources.
2. The marketing, purchase and sale, including import and export, storage, transport and distribution of tobacco products (including the raw material and finished product) and accessories relating to their consumption.
3. The distribution of all kinds of documents, forms or certificates issued by public- or private-sector entities.
4. The distribution of other forms, certificates, travel and parking documents, bingo cards, all kinds of cards and tickets for entertainment shows, services related to marketing and supply of all type of gaming products, legally authorized.
5. The distribution of other products to tobacco and stamp vendors and to the various channels that market tobacco product accessories and complementary articles.
6. Trading, manufacturing and business dealings, including import and export and other transactions referring to the articles, objects, products, equipment, parts, elements and materials mentioned in the preceding points.
7. The purchase, sale and distribution of all manner of products and goods relating to food, beverages and usable and consumable articles, their export and import, and their dealership, distribution and marketing.
8. The provision of all manner of technical, transport, commercial and consulting services in their various forms, including manufacturer-supplier mediation services and centralised collection and payment services.
9. The marketing, distribution, transport and sale of all manner of consumer products and goods which are usually supplied to kiosks, tobacconists, supermarkets and hypermarkets, and to other sales outlets easily accessible by the consumer.
10. The acquisition, management, distribution and ownership of shares or equity interests in other companies, whatever are their company object.
11. The supply and marketing of telephone services, prepaid landline services and mobile phone recharge cards, the distribution of phone time "off line" and prepaid minutes on line, distribution, installation and operation of terminals phone recharge, as well as their technical assistance, maintenance and repair thereof.

12. The supply and marketing of services related to information technology and communications, in particular the sale, lease, installation, operation, control, development and / or operation, maintenance and repair of equipment, systems, programs and computer applications and technical infrastructure adequate to provide, by electronic means and / or information technology of the activities mentioned in the preceding paragraphs.

The business activities composing the company object may also be carried out by Compañía de Distribución Integral Logista Holdings, S.A.U. fully or partially, directly or indirectly, through the ownership of shares in companies with the same or a similar company object.

The Company is the parent of a group of dependent companies and as such will prepare separate consolidated annual accounts under IFRS rules at the close of 2014.

The public offering of shares of the Parent Company comes to an end on 14 July 2014, and its shares are currently listed for trading in the Continuous Market.

2. Basis of presentation and consolidation principles

2.1. Preparation of accounts

The condensed consolidated financial statements of the Logista Group corresponding to the financial year closed on 30 September 2014 have been prepared on the basis of the accounting records kept by the Parent Company and by the other companies belonging to the Logista Group.

The directors have prepared the condensed consolidated financial statements on the assumption that the reader will also have access to the consolidated financial statements for the year ended on 30 September 2013, as formulated in accordance with International Financial Reporting Standards (IFRS) on 27 November 2013 and approved by the General Shareholders Meeting held on 25 February 2014. Accordingly, as the 2014 condensed consolidated financial statements are consistent with the principles and rules used to prepare the consolidated annual accounts for FY 2013 (when Parent Company was Compañía de Distribución Integral Logista, S.A.U.), there was no need to repeat the notes included in the latter set of annual accounts. Rather, the accompanying explanatory notes describe events or transactions that may be significant in explaining the changes in the financial position and consolidated results of the Logista Group since the last annual reporting date.

This condensed consolidated financial information has been prepared under the International Financial Reporting Standards (IFRS) endorsed by the European Union, applying International Accounting Standard 34 (IAS 34), on interim financial reporting, and all mandatory accounting principles, standards and measurement criteria to present a true and fair view of the Logista Group's consolidated equity and consolidated financial position at 30 September 2014, including the consolidated results of its operations and of consolidated cash flows within the Group for the period then ended. The foregoing in accordance with article 12 of Royal Decree 1362/2007.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial information for 2014 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with International Financial Reporting Standards. In order to present the different items that make up the consolidated financial information based on the same standards, the accounting policies and measurement bases used by the Parent Company have been applied to all the companies included in the scope of consolidation.

2.2 Standards and interpretations effective in the current period

The following standards and amendments and interpretations of standards became effective in the year closed on 30 September 2014, and have been used by the Group where applicable in preparing 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
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

This change requires separate presentation of items of other comprehensive income under the heading "Other comprehensive income" for those concepts to be reclassified (recyclable) to profit or loss in subsequent periods and items that are not to be reclassified (non-recyclable).

2.3 Standards and interpretations issued but not yet adopted

At the date of preparation of these 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 directors of the Parent Company have evaluated the potential impacts of future application of these standards and interpretations and consider that their entry into force will not have a significant impact on the consolidated financial statements, except for the following:

- ***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 currently evaluating the impact of these standards, but does not expect them to be significant.

2.4 Comparison of information

As required by IAS 1, the information relating to 2013 contained in these notes to the condensed consolidated financial statements is presented for comparison purposes only alongside the information relating to 2014.

As indicated in Note 1, the Group's corporate structure was modified on 4 June 2014, when it became the Parent Company of the same Compañía de Distribución Integral Logista Holdings, S.A. The directors of the Group's Parent Company have assessed the impact of this restructuring in accordance with applicable law and regulations on financial reporting and have concluded that the restructuring has no effect on the reporting period or on the content of the comparative information included in these consolidated financial statements of Logista Group.

2.5 Seasonal nature of the Group's business

Given the activities that Group companies engage in, Group transactions can be said to have no significant cyclical or seasonal nature.

2.6 Presentation currency

The enclosed condensed consolidated financial statements are presented in euros as this is the currency of the main economic area in which the Group operates.

2.7 Responsibility for the information and use of estimates

The information contained in these condensed consolidated financial statements is the responsibility of the directors of the Parent Company.

In preparing the condensed consolidated financial statements for 2014, estimates were made by the directors of Group companies in order to measure certain assets, liabilities, income, expenses and obligations reported in such statements. These estimates essentially relate to the following:

1. The assessment of possible impairment losses on certain assets.
2. The assumptions used in the actuarial calculations of pension liabilities and other commitments with employees.
3. The useful life of property, plant and equipment and intangible assets.
4. Measurement and appraisal of the impairment of goodwill and certain intangible assets.
5. The fair value of certain assets.
6. The calculation of the provisions required.

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

2.8 Basis of consolidation

The basis of consolidation applied in the condensed consolidated financial statements for FY 2014 is consistent with that applied in the consolidated financial statements for 2013.

2.8.1 Acquisitions, sales and other corporate transactions in 2014

Additions and 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%. In addition, a participating loan was reported with the same investee for the sum of EUR 600 thousand. Both the capital increase and the participating loan have been reported to outstanding receivables between both companies, without this having an effect on cash.

On 28 March 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.

2.8.2 Acquisitions, sales and other corporate transactions in 2013

Additions and acquisitions

On 9 October 2012, the Parent Company 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 2.12)

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 for consolidation purposes amounted to EUR 8,243 thousand, which were totally provisioned in Logista France, S.A.S. at 30 September 2012. In addition, 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"

2.8.3. Changes in the scope of consolidation in 2014

The transactions outlined in Note 2.8.1. did not generate any change in the scope of consolidation in comparison with the situation at 30 September 2013.

2.8.4. Changes in the scope of consolidation in 2013

The transactions outlined in Note 2.8.2 generated these changes in the scope of consolidation in comparison with the situation at 30 September 2012:

- Entry into the consolidation scope of Logista France S.A.S. (formerly Altadis Distribution France, SAS) and its subsidiaries (see Note 2.12)

- Exits from the consolidation scope of Logista Portugal Distribuçao de Publicaçoes, S.A.

2.9 Materiality

In deciding on the information to be disclosed in these notes on the various items included in the financial statements or other issues, and in accordance with IAS 34, the Group assessed their materiality in relation to the condensed consolidated financial statements.

2.10 Contingent assets and liabilities

At 30 September 2013, the Logista Group had remunerated guarantees posted by financial institutions in favour of the Group for the sum of EUR 351,206 thousand, of which EUR 174,798 thousand were released and cancelled at 30 September 2014, such funds intended to secure the action instituted by the public authorities deriving from the inspection proceedings for special taxes on tobacco products for financial years 2004 to 2006 and for customs proceedings relating to financial years 2001 to 2003.

2.11 Condensed consolidated cash flow statements

The Group reports its consolidated cash flows using the indirect method, in accordance with the terms defined below:

1. Cash flows: inflows and outflows of cash and equivalents; such are defined as highly liquid short-term investments with low risk of experiencing significant fluctuations in their value.
2. Operating activities: regular activities engaged in by companies that belong to the consolidated group, in addition to other activities that do not fall under the categories of 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 lead to changes in equity and financing liabilities.

In preparing the consolidated cash flow statement, "cash and cash equivalents" are considered to be cash on hand and demand deposits, as well as short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Business combinations

On 9 October 2012 (effective for accounting purposes on 1 October 2012), Compañía de Distribución Integral Logista, S.A.U. acquired all the shares in Altadis Distribution France, S.A.S. from the company Seita, S.A.S., which belongs to the Imperial Tobacco Limited Group. Altadis Distribution France, S.A.S. is the parent of a group that provides distribution services in France and comprises the following companies: Supergroup, S.A.S.; Société Allumetière Française, S.A.S; Strator, S.A.S.; and RP Diffusion, S.A.S. (the latter was sold in 2013). Following the acquisition, the company Altadis Distribution France, S.A.S. changed its name in 2013 to Logista France, S.A.S.

Since its incorporation back in 2007, Logista France and the Logista Group have remained under common control, firstly by the Altadis Group and, since January 2008, by the Imperial Tobacco Group, which is ultimately the sole shareholder of both Logista France and the Logista Group. During this entire period, Logista France and the Logista Group have been treated together as a single business unit (Logistics), whose senior officer is the Chief Executive Officer of Logista, S.A.U., the Parent Company of the Logista Group. In similar fashion, the main operating committees with decision-making responsibilities were shared by both the Logista Group and Logista France, as were corporate functions, such as finances, legal affairs, operations and human resources.

Within the context of the acquisition of Logista France, Logista and Seita agreed to engage the services of a prime bank as an independent expert, the aim being to appraise and value the acquired company. Both parties accepted that the resulting valuation would reflect the monetary consideration payable by Logista and the valuation came in at EUR 920 million.

International Financial Reporting Standards endorsed by the European Union do not cover the accounting treatment of business combinations carried out between companies under common control. Accordingly, the directors of the Logista Group reached the decision to value the stake acquired at fair value, taking into account that:

i. the Framework Agreement between the Imperial Tobacco Group and Logista dictates that transactions between both groups must be made at arm's length conditions;
ii. the acquisition of Logista France was valued by an independent expert of recognised standing, meaning it provides a true view of its fair value; and
iii. the parties agreed that the effective price of the transaction would be the amount resulting from the above valuation. This was paid via transfer to Seita of the monetary current account position held by Logista, S.A.U. with Altadis, S.A.U.

The directors of the Logista Group ruled out the following options for valuing the acquisition:

1. Reporting the assets and liabilities at the carrying amount of Logista France at the time of its acquisition by Logista: this option would have meant recognising a massively significant negative impact on the Logista Group's equity as a result of the acquisition of a business at fair value estimated by an independent third party and paid in cash. Thus, this approach would not have helped at all to provide a true and fair view.

2. Reporting the assets and liabilities at the value recognised in the consolidated financial statements of the Group to which they belong, that is, Imperial Tobacco Group: the directors ruled out this option on the understanding that a reliable estimate of such value could not be made in the consolidated statements of Imperial Tobacco Group, since at the time Logista France was acquired by Imperial Tobacco (2007), the acquisition price was pegged to the assets and liabilities flagged at logistics business unit level. This unit represents a number of legal entities that included not only Logista France, but also those pertaining to the business in Spain (the acquiring party in the current business combination), Italy and Portugal. This assignment or pegging was also made at a time when the market situation and, therefore, the expectations of the Imperial Tobacco Group were more optimistic. Since this recognition in the accounts, the Imperial Tobacco Group has therefore gone on to report impairment to the goodwill reflecting Imperial Tobacco's lower expectations with regards to its business unit as a whole (given its status as a Cash-Generating Unit), meaning these expectations could not be assigned to Logista France alone.

An independent services firm, also of recognised standing, estimated the fair value of the assets and liabilities acquired by Logista in its acquisition of Logista France, resulting in the following figures:

	Fair value	Carrying amount	Purchase price allocation
Distribution agreements signed with manufacturers	776,400	-	776,400
Property (land and buildings)	36,983	15,618	21,365
Deferred tax liabilities	(288,796)	(803)	(287,993)

After assigning the part of the acquisition price relating to the fair value of the assets and liabilities acquired, the resulting goodwill generated by the combination amounted to EUR 236,184 thousand.

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 of 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.

The audited consolidated balance sheet of the Logista France Group at 30 September 2012, as taken from the audited consolidated financial statements of the Logista France Group, and, therefore, the effect of bringing this company inside the scope of the Logista Group in 2013 (given that the acquisition made on 9 October 2012 was effective for accounting purposes from 1 October 2012) was as follows:

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

2.13 Asset impairment

Assets undergo impairment tests whenever an event or change in their circumstances may indicate that their carrying amount may not be recoverable. Goodwill is also reviewed yearly for impairment.

For the purpose of impairment testing, all assets are allocated to one or more cash-generating unit (hereafter, CGU).

The recoverable amount of each CGU is the higher of value in use and fair value less cost to sell. Value in use is calculated on the basis of the future cash flows after tax estimated by the CGU, discounted at an interest rate before tax that reflects the market value of money and of the specific risks associated with the business.

The recoverable amounts have been calculated for each CGU by using projections for the coming three years in terms of earnings, investments and working capital, plus the estimate of the CGU's residual value at the end of that period.

3. Dividends paid by the Parent Company and earnings per share

a) Dividends paid by the Parent Company

On 27 May 2014, the Group paid an interim dividend charged to 2014 profit of EUR 39,825 thousand.

Likewise, on 4 March 2014, the Group paid Altadis, S.A.U. a dividend amounting to EUR 79,650 thousand, corresponding to the approved dividend charged to profit for 2013.

It should be noted that on both dates, the Group's Parent Company was Compañía de Distribución Integral Logista, S.A.U.

b) Earnings per share from continued and discontinued activities

Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group in a given period (after tax and minority interests) by the weighted average number of shares outstanding during that same period, excluding the average number of treasury shares held in the period.

Earnings per share are calculated as follows:

	30-09-2014	30-09-2013
Net profit for the period (thousands of euros)	102,347	87,605
Weighted average number of shares outstanding (thousands of shares)	73,103	44,250
Earnings per share (euros)	**1.40**	**1.98**

Diluted earnings per share

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

4. Property, plant and equipment

Additions

In 2014 and 2013, purchases of property, plant and equipment totalled EUR 19,026 and 25,969 thousand, respectively.

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.

These investments are financed with the funds the Group generates, with no need to rely on third-party borrowing.

Disposals

Disposals for 2014 and 2013 amounted to EUR 360 thousand and 1,143 thousand, respectively. These 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.

Impairment

In 2014, Compañía de Distribución Integral Logista, S.A.U. provisioned impairment for the part 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" (joint venture), for the sum of EUR 8,100 thousand.

Likewise, in 2014 the Group made a provision for impairment of certain items of property, plant and equipment operated by distribution subsidiaries within the publishing sector for the sum of EUR 5,000 thousand.

In 2013, Compañía de Distribución Integral Logista, S.A.U. created a provision for impairment for the part attributable to it of the carrying amount of certain point-of-sale terminals owned by Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas"-in which it holds a 50% stake- that were not in use at year-end, for the sum of EUR 2,200 thousand.

Commitments to purchase items of property, plant and equipment

At 30 September 2014 and 2013, the Group did not have any significant commitments to purchase items of property, plant and equipment.

5. Goodwill

The following CGUs were identified for the years ended 30 September 2014 and 2013:

- Iberia:
  - Tobacco and related products
    - Spain
    - Portugal
  - Transport
  - Other businesses
    - Pharma
    - Books
- Italy:
  - Tobacco and related products
- France:
  - Tobacco and related products
  - Other businesses

The goodwill for each of the CGUs at 30 September 2014 and 2013 is detailed as follows:

	Thousands of Euros
Iberia, tobacco and related products: Spain	483
Iberia, transport	18,354
Iberia, other businesses: pharma	486
France, tobacco and related products	236,945
Italy, tobacco and related products	662,922
Total	**919,190**

The assumptions used to perform the impairment tests were as follows:

	2014		2013	
	Discount rate	Growth rate	Discount rate	Growth rate
Iberia, tobacco and related products: Spain	9.90%	0.00%	12.10%	0.00%
Iberia, transport	9.10%	0.00%	10.90%	0.00%
Iberia, other businesses: pharma	8.50%	0.00%	10.20%	0.00%
France, tobacco and related products	7.50%	0.00%	7.60%	0.00%
Italy, tobacco and related products	9.10%	0.00%	10.30%	0.00%

The parameters considered in establishing the aforementioned discount rates were as follows:

- Risk-free bond: 10-year bond of the CGU's relevant market.
- Market risk premium: annual average risk premium of each country of the Group.
- Unleveraged beta: according to the average of each sector in each case.
- Debt to equity ratio: sector average

Apart from the discount and growth rates, the most sensitive aspects that are included in the projections used and that are based on historical experience are as follows:

- Iberia, tobacco and related products:
    - Volume of cigarettes, roll your own and cigars
    - Changes in the public sale prices of tobacco
    - Changes in the excise duties on tobacco and VAT
    - Investments
- Iberia, transport:
    - Cost of fuel
- Iberia, other businesses:
    - Regulation of the pharmaceutical sector
- France, tobacco and related products:
    - Volume of cigarettes, roll your own and cigars
    - Changes in the public sale prices of tobacco
    - Changes in the excise duties on tobacco and VAT
    - Investments
- Italy, tobacco and related products:
    - Volume of cigarettes, roll your own and cigars
    - Changes in the public sale prices of tobacco
    - Changes in the excise duties on tobacco and VAT
    - Investments

There was no indication of impairment of goodwill in 2014.

In 2013 evidence of impairment was detected on the "Iberia, transport" CGU and, therefore, an impairment loss on the goodwill was recognised for EUR 8,362 thousand.

In addition, the Group carried out a sensitivity analysis on the results of the impairment test as a result of changes in the following assumptions:

- 100-basis point increase in the discount rate
- 1% decrease in the growth rate

These sensitivity analyses were performed independently for each of the aforementioned assumptions, and no impairment losses were recognised.

6. Other intangible assets

Additions

The additions to "Other intangible assets" amounted to EUR 15,944 thousand and EUR 12,310 thousand in 2014 and 2013, respectively, and 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.

Impairment

In 2014 Compañía de Distribución Integral Logista, S.A.U. recognised an impairment loss of EUR 2,000 thousand on the portion attributable to the carrying amount of the property owned by "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas".

7. Financial assets

a) *Detail*

The detail of the Group's financial assets at 30 September 2014 and 2013, by nature and category, for valuation purposes, is as follows:

2014

Financial Assets: Nature / Category	Thousands of Euros				
	30/09/2014				
	Loans to third parties	Loans to related parties	Guarantees and deposits	Financial assets held for sale	Total
Equity instruments	-	-	-	3,464	3,464
Financial debt	1,325	-	-	-	1,325
Other financial assets	-	-	4,618	-	4,618
Non-current	**1,325**	-	**4,618**	**3,464**	**9,407**
Financial debt	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**	**3,466**	**1,677,935**

2013

Financial Assets: Nature / Category	Thousands of Euros				
	30/09/2013				
	Loans to third parties	Loans to related parties	Guarantees and deposits	Financial assets held for sale	Total
Equity instruments	-	-	-	3,108	3,108
Financial debt	5,326	-	-	-	5,326
Other financial assets	-	-	3,576	-	3,576
Non-current	**5,326**	-	**3,576**	**3,108**	**12,010**
Financial debt	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**

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%. The purpose of this agreement was to govern the terms and conditions under which Logista France S.A.S and Compañía de Distribución Integral Logista, S.A.U. would lend, on a daily basis, their cash surpluses to Imperial Tobacco Enterprise Finance Limited for the purpose of optimising their cash flow, and the loans from Imperial Tobacco Enterprise Finance Limited to Logista France SAS and Compañía de Distribución Integral Logista, S.A.U. in order for these companies to be able to meet their cash needs arising from their operations. The draw downs had to be reported as soon as expected and, in any case, no later than 11:00 am on the business day before the draw down.

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.

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.

At 30 September 2014, the shareholders of "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas" granted a loan of EUR 124,436 thousand thereto given in equal portions. Compañía de Distribución Integral Logista, S.A.U. included EUR 31,109 thousand in this connection under "Other current financial assets" and "Other current financial liabilities" in the accompanying consolidated balance sheet at 30 September 2014, for the accounts receivable from and accounts payable to this UTE that correspond to the other shareholder (see Note 9).

b) Impairment losses

There were no significant impairment losses on financial assets during the first six months of 2014 and 2013.

8. 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	68,343	65,387
Write-downs	(11,804)	(8,119)
Total	**1,066,650**	**1,208,067**

The balance of tobacco inventories includes the excise duties charged on tobacco products and on tobacco stock owned by the Group's companies at 30 September 2014, for a total amount of EUR 391,301 thousand (EUR 449,531 thousand at 30 September 2013).

The write-downs in 2014 and 2013 cover mainly certain 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
Inventory write-downs at 30 September 2012	8,383
Additions to the scope of consolidation (Note 2.13)	6,005
Charge for the year	2,126
Utilizations	(8,395)
Inventory write-downs at 30 September 2013	8,119
Charge for the year	5,068
Amounts reversed	(2,491)
Reclassifications	1,107
Inventory write-downs at 30 September 2014	**11,084**

9. Financial liabilities

The detail of the Group's financial liabilities at 30 September 2014 and 2013, by nature and category, for valuation purposes, is as follows:

2014

Financial Liabilities: Nature / Category	Thousands of Euros 30/09/2014		
	Accounts payable to third parties	Guarantees and deposits received	Total
Other financial liabilities	-	4,940	4,940
Non-current financial liabilities	-	**4,940**	**4,940**
Bank borrowings	2,623	-	2,623
Other financial liabilities	32,560	-	32,560
Current financial liabilities	**35,183**	-	**35,183**
Total	**35,183**	**4,940**	**40,123**

2013

Financial Liabilities: Nature / Category	Thousands of Euros 30/09/2013			
	Accounts payable to third parties	Accounts payable to related parties	Guarantees and deposits received	Total
Other financial liabilities	-	-	4,943	4,943
Non-current financial liabilities	-	-	**4,943**	**4,943**
Bank borrowings	3,729	-	-	3,729
Other financial liabilities	28,799	87,144	-	115,943
Current financial liabilities	**32,528**	**87,144**	-	**119,672**
Total	**32,528**	**87,144**	**4,943**	**124,615**

10. Equity

Share capital

At 30 September 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 0.20 par value each, all of which are 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 public 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.

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.

Share premium

The Consolidated Spanish Capital Companies Law expressly permits the use of the share premium account balance to increase share capital and does not establish any specific restrictions as to its use.

Legal reserve

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

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

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.

11. Current and non-current provisions

This breakdown of this heading is as follows:

	Thousands of Euros	
	Balance at 30/09/2014	Balance at 30/09/2013
Customs and excise duty assessments	16,478	109,755
Obligations to employees	14,124	14,209
Provision for restructuring costs	2,483	12,925
Provision for contingencies and charges	13,781	15,134
Other	8,412	9,157
Non-current provisions	**55,278**	**161,180**
Provision for restructuring costs	10,876	5,277
Customer refunds	4,372	4,187
Other	2,820	690
Current provisions	**18,068**	**10,154**

Note 25 to the Logista Group's consolidated financial statements for the year ended 30 September 2013 describes the main disputes, including any litigation of a tax and legal nature affecting the Group at that date.

In 2014 Compañía de Distribución Integral Logista, S.A.U. received favorable judgments from Central Economic-Administrative Tribunal in relation to settlement of the special tax in exercise 2006. Since none of the parties has appealed that judgment within the legally required time limit, the Directors of the Parent Company consider those judgments to be final, and therefore have reversed the provision related to the same amount of approximately 47,249 thousand, of which 39,123 thousand euros correspond to the amount originally claimed by the Public Administration, and the remaining 8,126 thousand euros the default interest accrued since the commencement of the Act. The impact of this reversion is presented under "Procurements" and "Finance income" in Profit & Losses statement .

Also during this period the Supreme Court dismissed the appeals submitted by Compañía de Distribución Integral Logista, S.A.U. in relation to excise duty settlements for 2004 and 2005, and with regard to certain customs duty settlements. Consequently, Compañía de Distribución Integral Logista, S.A.U. settled the assessments for EUR 53,926 thousand, using the provision recognised for this purpose in previous years.

Provision for restructuring costs

This provision includes the estimate of the Parent's directors in relation to the restructuring plans in process, which are mainly as follows:

- Logista Italia, S.p.A. is restructuring its logistics warehousing network which gives rise to termination benefits as the main cost. In 2014 this company paid termination benefits amounting to EUR 1,869 thousand, respectively, with a charge to the provision recognised for this purpose. In addition, further EUR 1,550 thousand were recognised in connection with this provision under "Non-current provisions" in the accompanying consolidated balance sheet.
- In 2013 Logista France, S.A.S. initiated a restructuring plan at its subsidiary, Strator, S.A.S. with the aim of improving its competitiveness, which gave rise to the payment of termination benefits as the main cost. In addition, at year-end 2013 this company announced a new restructuring plan for its logistics network, which involves the closure of its warehouse in Nancy (France).

  In relation to these restructuring processes, a total of EUR 7,129 thousand were paid in termination benefits in 2014. In addition, a provision for EUR 1,780 thousand was recognised in this period, based on the best estimate of this company's directors regarding the cost related to both processes, which was recognised as a current provision with a charge to "Central office expenses – Staff costs and Other" in the accompanying consolidated income statement.

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

- Lastly, Compañía de Distribución Integral Logista, S.A.U. is restructuring its workforce. In 2014 a current provision amounting to EUR 3,316 thousand was recognised in this connection. In addition, a total of EUR 2,483 thousand were paid in termination benefits in this connection during this period.

12. Tax matters

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	8,304	7,016
Goodwill	12,747	14,763
Provision to the investment valuation allowance	26,243	24,367
Provision for third-party liability	2,512	3,025
Other deferred tax assets	9,599	7,877
	59,405	**57,048**
Tax receivables (current):		
VAT refundable	8,914	11,890
Income tax refundable	2,179	1,667
Other	4,066	938
	15,257	**14,495**

The deferred tax asset balances relate mainly to the period provisions for restructuring costs, termination benefits and provisions for obligations to employees which will become tax-deductible in coming years, as well as adjustments as a result of applying the transitional tax regulations for 2013-2014, which means that 30% of the depreciation and amortisation charge, the amount that may be used in future years, is not deductible.

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 Compañía de Distribución Integral Logista, S.A.U.	8,550	8,550
Goodwill	95,640	94,098
Business combinations (Note 2.12)	250,282	269,138
Other	2,159	2,009
	357,515	**374,711**
Tax receivables (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 Compañía de Distribución Integral, Logista, S.A.U. and by Logista Italia, S.p.A. and pending payment to the tax authorities.

Until 2011, Compañía de Distribución Integral, Logista, S.A.U. reduced its taxable profit each year by one-twentieth of the goodwill implicit in the acquisition cost of its foreign subsidiaries, principally that arising on the acquisition of Logista Italia, S.p.A. 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 income tax expense resulting from the application of the standard tax rate in force in Spain to the income tax expense recognised for the periods ended 30 September 2014 and 2013 is as follows:

	Thousands of Euros	
	2014	2013
Consolidated profit before tax	153,630	118,936
Income tax at the applicable tax rate	56,171	30,848
Tax credits arising from:		
Double taxation	(6)	(9)
Investments	(372)	(11)
Other	(1,722)	(499)
Current income tax expense	**54,071**	**30,329**

13. Segment reporting

Basis of segmentation

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

Note 32 to the Logista Group's consolidated financial statements for the year ended 30 September 2013 details the bases used by the Group to define its operating segments.

Revenue

By geographical area

	Thousands of Euros					
	Spain		Abroad: European Union		Total Group	
	2014	2013	2014	2013	2014	2013
Revenue	2,117,377	2,161,472	7,389,190	7,701,342	9,506,567	9,862,814
Total revenue	**2,117,377**	**2,161,472**	**7,389,190**	**7,701,342**	**9,506,567**	**9,862,814**

Compañía de Distribución Integral Logista Holdings, S.A. has no ordinary income.

By segment

	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
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**

Profit before tax by segments

	Thousands of Euros	
	2014	2013
Iberia	90,605	76,004
Italy	43,765	36,523
France	23,812	23,745
Corporate and other	(19,218)	(13,121)
Total profit from the segments reported	**138,964**	**123,151**
(+/-) Unallocated profit	(36,446)	(35,566)
(+/-) Income tax and/or profit from discontinued operations	51,112	31,351
PROFIT BEFORE TAX	**153,630**	**118,936**

14. Average headcount

The detail of the average number of employees, by professional category and gender, is as follows:

	Average Headcount							
	2014				2013			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
Category	Men	Women	Men	Women	Men	Women	Men	Women
Management	26	1	-	-	27	1	-	-
Line personnel and clerical staff	1,522	1,215	130	163	1,195	1,023	122	140
Messengers	1,628	712	359	110	2,099	974	269	74
Total	**3,176**	**1,928**	**489**	**273**	**3,321**	**1,998**	**391**	**214**
TOTAL	**5,104**		**762**		**5,319**		**605**	

15. 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.	5,072	-	-
Seita, S.A.S.	-	956	84,887
Imperial Tobacco Italia, Srl	-	90	17,034
Other	-	1,405	3,583
	1,635,665	**4,625**	**164,518**

2013

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities	Accounts Receivable	Loans	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 the cash agreements that were in force throughout the period between Logista and/or some of its subsidiaries and Imperial Tobacco Group subsidiaries, as described in Note 7.

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

2014

	Thousands of Euros			
	Operating Income	Financial Profit/(Loss)	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
Other	165	-	92	-
Total	**34,518**	**11,321**	**968,944**	**821**

2013

	Thousands of Euros			
	Operating Income	Financial Profit/(Loss)	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 financial profit from Altadis, S.A.U. arose from the loan granted by Compañía de Distribución Integral Logista, S.A.U. to the former, which was terminated on 28 May 2014.

Other financial profit or loss arose from the agreements for the assignment of cash mentioned in Note 7.

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.

16. Board of Directors and senior executives

Remuneration of directors

The remuneration received in 2014 by the members of the Board of Directors totalled EUR 2,929 thousand.

In addition, corporate contributions to pension plan for 2014 corresponding to executive directors 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.

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

Remuneration of the senior executives

Senior management functions are discharged by the members of the Management Committee.

The remuneration earned in 2014 by the members of the Management Committee, excluding executive directors amounted to EUR 5,136 thousand.

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

Interim Directors' Report for the year ended 30 September 2014

Grupo Logista announces its first Full Year Results after relisting in the Spanish Stock Markets on 14 July 2014. Main highlights:

- 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

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 19.6%, did not fully offset the decline in Tobacco and related products Revenues (-3.0% 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 2.5% 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 €246.5 million, showing an important rise (+19.6%) 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 (+9.9%) 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).

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).

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 asses 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**

Certificate of the issuance of the condensed consolidated financial statements

Condensed consolidated financial statements and the interim Director Report for "Compañía de Distribution Integral Logista Holdings, S.A." and its subsidiaries included in the consolidation scope for the second half of 2013-2014, have been formulated in the Board of Directors' meeting of 27 October 2014.

The condensed consolidated financial statements and the Director Report have been elaborated in accordance with the applicable accounting GAAP, show a real and fair value of equity, financial position, and consolidated result of the Company and the interim Director Report contains a fair analysis of the requested information.

They are set forth on 37 sheets, all of which are signed by the Secretary of the Board of Directors, and this last one by all Board of Directors members, in compliance testing:

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, 27 October 2014