

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

Consolidated financial statements for
the year ended 30 September 2017
and consolidated Management Report
together with Independent Auditors'
Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

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

Independent Auditors' Report
on Consolidated Financial Statements
at 30 September 2017

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

Independent Auditors' Report on Consolidated Financial Statements

To the Shareholders of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2017").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 30 September 2017, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Recognition of tobacco sales revenue</i></p> <p>Tobacco sales, which represent 95% of the Group's total sales, relate to the goods delivered, net of discounts, VAT, excise duties on tobacco products and other sales-related taxes.</p> <p>Although the recognition of this revenue, under the Group's habitual terms and conditions, is not complex, since it gives rise to accounts receivable that are convertible into cash in a short period of time and with historically immaterial sales returns percentages, it does involve the consideration of specific circumstances associated with the various conditions agreed with manufacturers and with the taxes and levies applicable in each jurisdiction. Accordingly, this matter was an area of significant auditor attention in our audit.</p> <p>There is an inherent risk associated with the timing of the recognition of this revenue, which depends on the distribution channels involved, the contractual terms and conditions under which the goods are sold, and the impacts that regulatory changes might have on sales (VAT, excise duties, vendor's commissions, etc.).</p>	<p>Our audit procedures included checking the effectiveness of the controls over the sales-accounts receivable process and substantive procedures such as:</p> <ul style="list-style-type: none"> • Checking the design, implementation and operating effectiveness of the relevant controls (including information system controls) supporting the accuracy of the sales, as well as the automatic sales invoice accounting and recognition procedure, for which purpose we involved our technology and systems specialists. • Analysing whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis manufacturers and customers. • Evaluating the reasonableness of the sales volumes and margins for 2017 with respect to the trends in previous years, and checking these data against the information furnished by internal Group and external sources. • Performing tests of details on a sample of recognised sales. • Performing combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the revenue and trade receivables accounts. <p>No material exceptions or misstatements were observed as a result of our procedures.</p> <p>Notes 4.15, 23.a and 24 to the accompanying consolidated financial statements contain the disclosures and information relating to the Group's tobacco sales revenue.</p>

Key Audit Matters	How the Matters Were Addressed in the Audit
<p data-bbox="256 450 847 517"><i>Deferred tax and provisions for tax contingencies</i></p> <p data-bbox="256 539 847 831">The consolidated balance sheet as at 30 September 2017 includes a balance of EUR 307 million relating to deferred tax liabilities and provisions for tax contingencies associated with the tax assessments issued for excise duties on tobacco products, customs duties and other taxes. The aforementioned amount includes EUR 299 million relating to deferred tax liabilities and EUR 8 million associated with provisions for tax contingencies.</p> <p data-bbox="256 853 847 1178">The core activity -the sale of tobacco- is subject to specific tax legislation that is complex due to the various geographical segments in which the Group operates. At the end of 2017 various tax proceedings were in progress which require a significant level of judgement on the part of Group management in order to estimate the probability that the related liabilities will materialise. The Group bases its estimates on the opinion of its external tax advisers.</p> <p data-bbox="256 1200 847 1417">Due to the complexity of the calculations of these taxes and of the tax regulations in force in the various jurisdictions, as well as the significant judgement used by the Group to estimate the aforementioned provisions and the income tax expense, we consider this to be a significant area for our attention.</p>	<p data-bbox="863 450 1461 887">Our audit procedures included, among others, the involvement of our tax experts in the aforementioned area in order to evaluate the reasonableness of the provisions and deferred tax liabilities recognised and of the estimated income tax expense for the year. In addition, we requested (and analysed the related confirmation) that the Group’s internal legal advisory department and its tax advisers provide us with a detailed description of the criteria and basis for their conclusions in relation to the proceedings in progress, which served as support for management when defining the classification and amount of the provisions recognised by the Group.</p> <p data-bbox="863 909 1461 1144">As a result of our procedures, we consider that, in the context of the Group’s consolidated financial statements taken as a whole, the judgements made by management and the disclosures presented in relation to deferred tax liabilities and provisions for tax contingencies are consistent with our assessment.</p> <p data-bbox="863 1167 1461 1290">Notes 18 and 19 to the accompanying consolidated financial statements contain the disclosures and information relating to this area of interest.</p>

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Impairment of goodwill and of other intangible assets</i></p> <p>The consolidated balance sheet as at 30 September 2017 includes goodwill amounting to EUR 926 million resulting from corporate acquisitions, and other intangible assets with finite useful lives amounting to EUR 518 million associated with the distribution agreements with the main tobacco manufacturers in France.</p> <p>Under EU-IFRSs, the Group is required to annually test these assets for impairment. This impairment test was significant to our audit because management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions.</p> <p>The main assumptions considered are the discount rate, the short- and long-term growth rates, the changes in working capital and the estimated future margins, the future evolution of which will depend on market performance and the economic and regulatory conditions that arise in the various geographical segments -mainly France and Italy- with which the aforementioned assets are associated.</p> <p>As described in Notes 7 and 8 to the consolidated financial statements, management concluded that, based on the sensitivity analyses performed by it separately for each of the assumptions considered, no impairment losses would be disclosed.</p>	<p>Our audit procedures included, among others, the review of the relevant processes and controls implemented by the Company in order to assess the impairment of goodwill and other intangible assets.</p> <p>We reviewed the cash flow projections and the process used to prepare them, which included comparing the projections with the latest plans approved by the Board from which they are derived, and we obtained and re-performed the underlying calculations.</p> <p>Also, we used valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various areas, as well as the reasonableness of the growth rates, where appropriate.</p> <p>For the aforementioned assumptions we reviewed the sensitivity analyses conducted by management. We consider the assumptions to be reasonable and conclude that management's approach is consistent and is supported by the available evidence.</p> <p>Lastly, we focused our work on reviewing the disclosures made by the Group in relation to these assets, especially those relating to the sensitivity analyses of the key assumptions.</p> <p>Note 7 to the accompanying consolidated financial statements contains the disclosures relating to the impairment tests performed and, in particular, the detail of the main assumptions used and the sensitivity analysis of changes in the key assumptions in the tests.</p>

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the applicable audit regulations, consists of evaluating and reporting on whether the consolidated directors' report is consistent with the consolidated financial statements, based on our knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit. Also, our responsibility consists of evaluating and reporting on whether the content and presentation of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described in the preceding paragraph, the information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit Committee for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the de Compañía de Distribución Integral Logista Holdings, S.A. audit committee dated 2 November 2017.

Engagement Period

The Annual General Meeting held on 21 March 2017 appointed us as joint auditors of the Group for a period of three years from the year ended 30 September 2017.

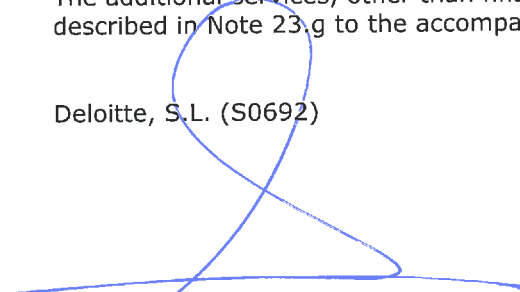
Previously, Deloitte, S.L. had been designated pursuant to a resolution of the General Meeting for the period of three years from the year ended 30 September 2014, the first year following the incorporation of the Parent.

Services Provided

The additional services, other than financial audit services, provided to the Group were those described in Note 23.g to the accompanying consolidated financial statements for 2017.

Deloitte, S.L. (S0692)

PricewaterhouseCoopers Auditores, S.L. (S0242)


José Luis Aller (nº ROAC 17072)
Raúl Llorente Adrián (nº ROAC 20613)

2 November 2017

This draft report has not yet been submitted to our firm's habitual internal review procedures and, accordingly, we reserve the right to make such changes, insertions or deletions as we might consider appropriate as a result of our review process⁽¹⁾.

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

Consolidated financial statements for
the year ended 30 September 2017
and consolidated Management Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

(1) This note will only be included when the client is supplied with draft reports. Remove in the final version.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2017 AND 2016 (Thousands of Euros)

ASSETS	Notes	30-09-2017	30-09-2016	EQUITY AND LIABILITIES	Notes	30-09-2017	30-09-2016
NON-CURRENT ASSETS:				EQUITY:			
Property, plant and equipment	Note 6	1,705,568	1,781,022	Share capital	Note 13	502,433	491,868
Investment property		187,620	189,841	Share premium	Note 14	26,550	26,550
Goodwill		18,374	18,732	Reserves of the Parent	Note 14	867,808	867,808
Other intangible assets	Note 7	925,679	919,104	Reorganisation reserves	Note 14	16,706	10,828
Investments in associates	Note 8	547,846	602,363	Reserves at consolidated companies	Note 14	(753,349)	(753,349)
Other non-current financial assets	Note 9	1,584	1,401	Translation differences	Note 15	216,374	223,914
Other non-current financial assets		4,521	27,182	Reserve for first-time application of IFRSs		90	107
Deferred tax assets	Note 19	19,944	22,399	Consolidated profit for the period	Note 14	19,950	19,950
				Interim dividend	Note 14	153,862	132,079
				Treasury shares	Note 14	(39,708)	(33,119)
				Equity attributable to shareholders of the Parent		(7,716)	(5,032)
				Minority interests	Note 16	500,567	489,736
						1,866	2,132
CURRENT ASSETS:				NON-CURRENT LIABILITIES:			
Inventories		4,837,180	4,941,695	Other financial non-current liabilities		340,534	366,309
Trade and other receivables	Note 10	1,122,622	1,085,829	Other non-current liabilities		4,880	4,743
Tax receivables	Note 11	1,747,338	1,777,162	Long-term provisions	Note 18	36,686	32,830
Other current financial assets	Note 19	36,759	7,596	Deferred tax liabilities	Note 19	298,968	328,717
Cash and cash equivalents	Note 9	1,821,726	2,039,101	CURRENT LIABILITIES:			
Other current assets	Note 12	101,808	23,625	Other current financial liabilities		5,699,781	5,864,640
		6,914	8,382	Trade and other payables	Note 20	34,371	33,627
				Tax payables	Note 21	1,023,707	888,055
				Short-term provisions	Note 19	4,564,404	4,784,977
				Other current liabilities	Note 18	13,728	17,138
NON-CURRENT ASSETS HELD FOR SALE		13	100	TOTAL EQUITY AND LIABILITIES	Note 22	63,571	140,883
TOTAL ASSETS		6,542,748	6,722,817			6,542,748	6,722,817

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated balance sheet at 30 September 2017.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

**COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.
AND SUBSIDIARIES**

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016
(Thousands of Euros)

	Notes	2017	2016
Revenue	Note 23.a	9,493,241	9,632,004
Procurements		(8,443,546)	(8,593,922)
GROSS PROFIT		1,049,695	1,038,082
Cost of logistics networks:		(744,020)	(720,932)
Staff costs	Note 23.b	(176,481)	(169,740)
Transport costs		(222,691)	(212,891)
Provincial sales office expenses		(72,610)	(73,664)
Depreciation and amortisation charge	Notes 4.2, 6 and 8	(85,210)	(88,894)
Other operating expenses	Note 23.c	(187,028)	(175,743)
Commercial expenses:		(65,902)	(64,445)
Staff costs	Note 23.b	(44,080)	(42,939)
Other operating expenses	Note 23.c	(21,822)	(21,506)
Research expenses		(2,066)	(1,805)
Head office expenses:		(80,160)	(74,888)
Staff costs	Note 23.b	(57,157)	(54,132)
Depreciation and amortisation charge	Notes 4.2, 6 and 8	(1,541)	(1,284)
Other operating expenses	Note 23.c	(21,462)	(19,472)
Share of results of companies		734	902
Net gain on disposal and impairment of non-current assets	Notes 6 and 8	(258)	255
Other expenses		(24)	(26)
PROFIT FROM OPERATIONS		157,999	177,143
Finance income	Note 23.e	(31,375)	14,520
Finance costs	Note 23.f	(1,416)	(3,899)
PROFIT BEFORE TAX		187,958	187,764
Income tax	Note 19	(34,315)	(55,236)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		153,643	132,528
Result for the period from discontinued operations net of tax		(42)	(120)
PROFIT FOR THE PERIOD		153,601	132,408
Attributable to:			
Shareholders of the Parent		153,862	132,079
Minority interests	Note 16	(261)	329
BASIC EARNINGS PER SHARE	Note 5	1,16	1,00

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated income statements for 2017.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros)

	Notes	2017	2016
PROFIT FOR THE YEAR		153,601	132,408
Net actuarial gain (loss) recognised directly in equity	Note 18	1,552	(1,329)
Foreign exchange rate changes		(17)	(29)
TOTAL NET GAIN (LOSS) REGISTERED DIRECTLY IN EQUITY		1,534	(1,358)
TOTAL NET GAIN (LOSS) CONSOLIDATED REGISTERED DURING THE YEAR		155,135	131,050
Attributable to:			
Shareholders of the Parent		155,396	130,721
Minority interests		(261)	329
TOTAL ATTRIBUTABLE		155,135	131,050

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2017.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31).
In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016

(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Translation Differences	Reserve for First-Time Application of IFRSs	Profit for the Year	Interim Dividend	Treasury Shares	Equity Attributable to Shareholders of the Parent	Minority Interests	Total Equity
Balance at 30 September 2015	26,550	867,808	359	(753,349)	204,498	136	19,950	109,193	(31,860)	(670)	442,615	1,815	444,430
Net profit for 2016 attributable to the Parent	-	-	-	-	-	(29)	-	132,079	-	-	132,050	-	132,050
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	-	329	329
Actuarial losses (Note 18)	-	-	-	-	(1,329)	-	-	-	-	-	(1,329)	-	(1,329)
Income and expenses recognised in the period	-	-	-	-	(1,329)	(29)	-	132,079	-	-	130,721	329	131,050
Transactions with Shareholders:													
Distribution of profit-													
To reserves	-	-	8,697	-	2,382	-	-	(11,079)	-	-	-	-	-
To dividends	-	-	-	-	-	-	-	(98,114)	31,860	-	(66,254)	-	(66,254)
Dividends	-	-	-	-	-	-	-	(33,119)	(33,119)	-	(33,119)	-	(33,119)
On treasury shares operations	-	-	-	-	-	-	-	-	-	(4,362)	(4,362)	-	(4,362)
Incentive Plan (Note 4.12)	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Note 4.8.1)	-	-	1,772	-	18,363	-	-	-	-	-	1,722	-	1,722
Balance at 30 September 2016	26,550	867,808	10,828	(753,349)	223,914	107	19,950	132,079	(33,119)	(5,032)	489,736	2,132	491,868
Net profit for 2016 attributable to the Parent	-	-	-	-	-	(17)	-	153,862	-	-	153,845	-	153,845
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	-	(261)	(261)
Actuarial losses (Note 18)	-	-	-	-	1,551	-	-	-	-	-	1,551	-	1,551
Income and expenses recognised in the period	-	-	-	-	1,551	(17)	-	153,862	-	-	155,396	(261)	155,135
Transactions with Shareholders:													
Distribution of profit-													
To reserves	-	-	3,671	-	9,272	-	-	(12,943)	-	-	-	-	-
To dividends	-	-	-	-	-	-	-	(119,136)	33,119	-	(86,017)	-	(86,017)
Dividends	-	-	-	-	-	-	-	(39,708)	(39,708)	-	(39,708)	-	(39,708)
On treasury shares operations	-	-	-	-	-	-	-	-	-	(2,684)	(2,684)	-	(2,684)
Incentive Plan (Note 4.12)	-	-	-	-	-	-	-	-	-	-	-	-	-
Others (Note 4.8.1)	-	-	2,207	-	(18,363)	-	-	-	-	-	2,207	-	2,207
Balance at 30 September 2017	26,550	867,808	16,706	(753,349)	216,274	90	19,950	153,862	(39,708)	(7,716)	500,567	1,866	502,433

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2017.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2017 AND 2016 (Thousands of Euros)

	Notes	2017	2016
OPERATING ACTIVITIES:		4,236	388,637
Consolidated profit before tax from continuing operations		187,958	187,764
Adjustments for:		64,373	82,348
Result of companies accounted for using the equity method		(734)	(902)
Depreciation and amortisation charge	Notes 6 and 8	86,751	90,247
Change in provisions		338	-
Provisions recognised/ (reversed)		8,058	3,879
Proceeds from disposal of non-current assets	Notes 6 and 8	(81)	(255)
Financial profit		(29,959)	(10,621)
Net change in assets / liabilities-		(248,095)	118,525
(Increase)/Decrease in inventories		(35,705)	(22,528)
(Increase)/Decrease in trade and other receivables		48,341	(14,837)
Increase/(Decrease) in trade payables		133,791	(9,585)
Increase/(Decrease) in other current liabilities		(305,580)	194,826
Increase (Decrease) in other non-current liabilities		8,638	(135)
Income tax paid		(109,176)	(39,837)
Finance income and costs		11,596	10,621
INVESTING ACTIVITIES:		202,089	(285,701)
Payment for investment-			
Property, plant and equipment	Note 6	(21,613)	(15,818)
Intangible assets	Note 8	(7,343)	(9,077)
Group companies and associates		(10,116)	-
Other current financial assets		-	(263,057)
Proceeds from financial divestments-			
Property, plant and equipment	Note 6	706	2,251
Intangible assets		30	-
Other financial assets		217,758	-
Non current assets held for sale		22,667	-
FINANCING ACTIVITIES:		(128,142)	(102,025)
Payment of dividends and remuneration of other equity instruments-			
Dividends	Note 14	(125,725)	(99,373)
Proceeds and payments of equity instruments-			
Acquisition of treasury shares	Note 14	(3,161)	(4,362)
Proceeds and payments for financial liability instruments-			
Repayment and amortization of:			
Current borrowings		744	(252)
Other payables		-	(7)
Debt issuance		-	1,969
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		78,183	911
Cash and cash equivalents at beginning of year		23,625	22,714
Net change in cash and cash equivalents during the year		78,183	911
Total cash and cash equivalents at end of year		101,808	23,625

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated cash flow statement for 2017.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.

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

Notes to the annual consolidated financial statements for the year ended 30 September 2017

1. General information on the Group

Compañía de Distribución Integral Logista Holdings, S.A., hereinafter "the Parent company", was incorporated as a sociedad anónima (Spanish public limited company) on 13 May 2014, with its sole shareholder being Altadis, S.A.U., a company belonging to the Imperial Brands Group PLC. On 4 June 2014, the Company effected a capital increase with all shares subscribed by Altadis, S.A.U. through non-monetary contribution of shares representing 100% of the share capital of Compañía de Distribución Integral Logista, S.A.U., until that time the parent company of the Logista Group, from then onwards, the Company became the Parent of the aforementioned Group.

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

The reporting period of most of the Group companies starts on 1 October of each year and ends on 30 September of the following year. The twelve-month period ended 30 September 2016 will hereinafter be referred to as "2016", the period ended 30 September 2017 as "2017", and so on.

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

The Group, a distributor and logistics operator, provides various distribution channels with a wide range of value added products and services, including tobacco and related tobacco products, convenience goods, electronic documents and products (such as mobile phone and travel card top-ups), drugs, books, publications and lottery tickets. The Group provides these services through a complete infrastructure network which spans the whole value chain, from picking to POS delivery.

Compañía de Distribución Integral Logista Holdings, S.A. is the head of a group of domestic and foreign subsidiaries that engage in various business activities and which compose, together with Logista Holdings S.A., the Logista Group (hereinafter "the Group").

A detail of the investees included in the scope of consolidation comprising the Logista Group at 30 September 2017 and 2016 is provided in Appendices I and II, which includes, inter alia, the percentage and cost of the ownership interest held by the Parent and the line of business, company name and registered office of each investee.

In turn, Altadis, S.A.U., the majority shareholder of the Parent, belongs to the Imperial Brands Group PLC, which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Brands Group PLC for 2015 were formally prepared by its Directors at the Board of Directors meeting held on 8 November 2016.

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

2.1 Authorisation for issue of the consolidated financial statements

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

- a. The Spanish Commercial Code and all other Spanish corporate law.
- b. International Financial Reporting Standards (IFRS), as adopted by the European Union, in conformity with Regulation (EC) no, 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on Tax, Administrative, Labour and Social Security Measures.
- c. All other applicable Spanish accounting legislation.

The accompanying consolidated financial statements, which were obtained from the accounting records of the Company and of its subsidiaries, are presented in accordance with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for 2017. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 31 October 2017. The directors of Compañía de Distribución Integral Logista Holdings, S.A. will submit these consolidated financial statements for approval by the Shareholders, and it is considered that they will be approved without any changes.

The consolidated financial statements for 2016 were formally approved by the General Shareholders' Meeting on 21 March 2017.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2017 are summarised in Note 4.

2.2 Standards and interpretations effective in the current period

In the year ended 30 September 2017 the following standards, amendments to standards and interpretations came into force, which, if applicable, were applied by the Group in the preparation of the consolidated financial statements:

Standards and Modifications Thereof	Contents	Obligatory Application in Annual Reporting Periods Beginning On or After
Amendment to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation (published in May 2014)	It clarifies the methods acceptable for depreciation and amortisation property, plant and equipment and intangible assets.	1 January 2016
Amendment to IFRS 11 Accounting for acquisition of interests in joint ventures (published in May 2014)	It specifies how to account for the acquisition of interests in a joint venture whose activity constitutes a business.	1 January 2016
Amendment to IFRS 10 and IAS 28 Sale on contribution of assets between an investor and its associate or joint venture (published in May 2011)	It specifies how to account the sale on contribution of assets between an investor and its associate or joint venture.	1 January 2016
Amendment to IAS 27 Equity method in separate financial statements (published in August 2014)	Equity method will be allowed to be applied to the individual statements of an investor.	1 January 2016
Improvement to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a number of standards.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities (December 2014) (a)	Clarification on the exception for consolidation of investment companies.	1 January 2016
Amendments to IAS 1: Disclosures initiative (December 2014) (a)	Various clarifications regarding the itemizations (materiality, aggregation, order of the notes, etc.).	1 January 2016

(a) Not approved for use in the European Union

2.3 Standards and interpretations issued but not yet in force

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

Standards and Modifications Thereof	Contents	Obligatory Application in Annual Reporting Periods Beginning On or After
Amendment to IAS 12 Recognitions of deferred asset taxes for unrealized losses (published in January 19, 2016) (a)	It refers to the DTS of available items for the sale of debt with fair value less than the cost.	1 January 2017
Amendment to IAS 7 Initiative of itemizations (published in January 29, 2016) (a)	Reconciliation of changes in liabilities in the balance sheet with flows from financing activities.	1 January 2017
IFRS 9 Financial Instruments. Classification, valuation, recognition and derecognition (last phase published in July 2014) (a)	It replaces the requirement for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	1 January 2018
IFRS 15 – Revenue from Contracts with Customers (published in May 2014) (a)	New income recognition standard (replaced IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (a)	Limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share based payments, the classification of share-based payment transactions with net settlement features and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018
IFRS 16 Leases (published in January 2015) (a)	New standard on leases that replaces IAS 17. Lessees will include all leases on the balance sheet as if they were financial purchases.	1 January 2019

(a) Standards not yet adopted by the European Union.

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

IFRS 9 – Financial Instruments

IFRS 9 establishes the requirements for the recognition, measurement, impairment, disposal of, and accounting for, general hedges.

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

IFRS 15 – Revenue from Contracts with Customers

The objective of this standard is to determine the accounting treatment of revenue from the sale of goods and the provision of services to a customer. Revenue that does not arise from a contract with a customer falls outside the scope of IFRS 15. The core principle of the standard is that an entity should recognize its revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 16, Leases

Almost all leases shall be recognised in the balance sheet, since the distinction between operating and finance leases is eliminated. Under the new standard, an asset (the right to use the leased item) and a financial liability for the lease payments are recognised. The only exceptions are short-term leases and leases for which the underlying asset is of low value.

The Group is in the process of assessing the impact of the application of this standard.

2.4 Information relating to 2016

As required by IAS 1, the information relating to 2016 contained in these notes to the consolidated financial statements is presented with the information relating to 2017 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2016.

2.5 Presentation currency

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

2.6 Responsibility for the information and use of estimates

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

In preparing the consolidated financial statements for 2017, estimates were made by the Group's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement and impairment of goodwill and of certain intangible assets.
- The assumptions used in the actuarial calculations of the pension liabilities and other obligations to employees.
- The useful life of the property, plant and equipment and intangible assets.
- The valuation of long-term incentive plans.
- The calculation of the required provisions, including fiscal risks.
- The measurement and calculation of deferred tax assets and liabilities.

Although these estimates were made on the basis of the best information available at 2017 year end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.7 Basis of consolidation

2.7.1 Subsidiaries

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

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

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

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

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

2.7.2 Joint ventures and joint operations

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

In addition, a joint operation (unincorporated joint venture or "UTE") is a joint arrangement whereby the parties have rights to the corresponding assets, and liabilities, relating to the arrangement. Accordingly, the assigned assets and liabilities are presented by the Group in its consolidated balance sheet, in proportion to its ownership interest, and of the jointly incurred liabilities, classified according to their specific nature. Similarly, the Group's share of the income and expenses of joint ventures is recognised in the consolidated income statement on the basis of the nature of the related items. In addition, the proportional part corresponding to the Group of the related items of the joint venture is included in the statement of changes in equity and the statement of cash flows.

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

2.7.3 Associates

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

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

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

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

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

Since the activities of the associates are similar to the Group's habitual management and operations, the results of companies accounted for using the equity method are aggregated to profit or loss from operations.

2.7.4 Translation of foreign currency

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

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

- Income statement items were translated to euros at the average exchange rate for the year.

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

In 2017 all of the Logista Group companies presented their financial statements in euros, except for *Compañía de Distribución Integral Logista Polska, Sp. z.o.o.* and *Logesta Polska Sp., z.o.o.* (both located in Poland).

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

The most significant changes in the scope of consolidation in 2017 and 2016 that affect the comparison between years were as follows:

1. Main changes in the scope of consolidation in 2017

Additions and acquisitions

On 13 February 2017, the subsidiary MIDSID –*Sociedade Portuguesa de Distribuição, S.A.* acquired all the shares representing the share capital of *José Costa & Rodrigues, Lda.* for EUR 7,700 thousand plus an additional maximum amount of EUR 4,025 thousand, related to the working capital of the acquired company. Having analysed the fair value of the assets and liabilities acquired, Group management allocated EUR 6,575 thousand to goodwill (see Note 7).

2. Main changes in the scope of consolidation in 2016

Disposals:

On 5 February 2016, the subsidiary *Compañía de Distribución Integral de Publicaciones Logista, S.L.U.* entered into an agreement for the sale of the ownership interest held by it in *Dima Distribución Integral, S.L.* (equal to 12,56% of its share capital) to *Distribuciones Generales Boyacá, S.L.*, for the amount of 1 euro. The transaction has not had a significant effect on the Group's interim condensed consolidated financial statements.

On 11 December 2015, the dissolution of *Logesta Maroc, S.A.* (indirectly owned in a 34% by *Logesta Gestión de Transporte, S.A.U.*) was registered, which was approved by the Shareholders Extraordinary General Meeting on 28 September 2015. The transaction has not had a significant effect on the Group's interim condensed consolidated financial statements.

2.8 Materiality

In preparing these consolidated financial statements the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

3. Distribution of profit of the Parent

The distribution of the profit for 2017, amounting to EUR 149,102 thousand, that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserves	10,125
Dividends	99,269
Interim dividend (Note 14-e)	39,708
	149,102

In accordance with current legislation, the Parent Company evaluated the liquidity statement at the approval date of the interim dividend. Based on this evaluation, on 27 July 2017 the Company had EUR 121,180 thousand available, relating to EUR 44,180 thousand that it had lent to Compañía de Distribución Integral Logista, S.A.U., together with the full amount of the credit facility granted to it by Compañía de Distribución Integral Logista, S.A.U. (the maximum drawable amount of which was EUR 77 million).

4. Accounting principles and policies and measurement bases

The principal measurement bases and accounting principles and policies applied in preparing the consolidated financial statements for 2017 in accordance with the IFRSs in force at the date of the related financial statements are described below.

4.1 Property, plant and equipment

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

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

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

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

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

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

4.2 Investment property

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

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

4.3 Goodwill

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

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

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

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

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

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

The Group has defined as cash-generating units, based on the actual management of the Group's operations, each of the relevant business operations carried out in the main geographical areas (see Note 24).

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

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

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the various markets to calculate the present value of the estimated cash flows ranged from 5.6% to 6.7% in 2017 (see Note 7).

4.4 Intangible assets

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

Intangible assets comprises:

Concessions, rights and licences

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

Also, as a result of allocating the purchase price of Altadis Distribution France, S.A.S. to the identifiable assets and liabilities of that company in 2013, the Group recognised in its consolidated balance sheet

the agreements entered into by that subsidiary with the main tobacco producers for the distribution of their products in France. The aforementioned distribution agreements are depreciated on a straight-line basis over 15 years.

Computer software

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

Research and development expenditure

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

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

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount, and the related write-down is recognised through profit or loss.

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

4.6 Leases

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

4.6.1 Operating leases

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

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

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

4.7 Non-current assets held for sale

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

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

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

4.8 Financial instruments

4.8.1 Financial assets

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

Trade and other receivables

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

Other current and non-current financial assets

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

1. Current and non-current loans granted.
2. Guarantees.
3. Deposits and other financial assets.
4. Financial assets classified as “held for sale”.

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

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

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

Available-for-sale financial assets are measured at fair value and the gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or it is determined that it has become (permanently) impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the net consolidated profit or loss for the year.

Cash and cash equivalents

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

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

4.8.2 Financial liabilities

Bank borrowings

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

Trade payables

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

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

4.9 Inventories

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

The other inventories are measured at the lower of cost of purchase and net realisable value. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

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

4.10 Current/Non-current classification

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

4.11 Termination benefits

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

The accompanying consolidated balance sheet at 30 September 2017 includes the provisions that the Parent's Directors consider necessary to cover the restructuring plans in progress at year-end (see Note 18).

4.12 Pension and other obligations to employees

Certain Group companies are obliged to supplement the social security retirement, disability or death benefits to employees who have fulfilled certain conditions. In general, the obligations relating to the current and former employees of these groups are defined contribution obligations and are externalised. The annual contributions made by the Group to meet these obligations are recognised under "Staff Costs" in the consolidated income statements and amounted to EUR 2,086 thousand and EUR 2,227 thousand in 2017 and 2016 (see Note 23.b).

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

Logista France, S.A.S. has retirement obligations to its employees for which it has made provisions calculated on the basis of actuarial studies using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 2% as the main assumptions (see Note 18).

On 4 June 2014 the Parent's Board of Directors approved the structure of the "2014 Long-Term Incentive Plan" and "2014 Long-Term Special Incentives Plan", with remuneration accrued from 1 October 2014 and maturing on 30 September 2019, which are articulated in three 3-year blocks with settlements made at the end of each block.

Under these plans, certain employees of companies of the Group of which the Company is Parent have the right to receive a certain number of Company shares, on completion of the third year from the commencement of the each of the three blocks into which the plans are divided, and taking into account the degree of achievement of certain internal criteria, of a financial and operating nature, as well as the total return for the shareholders and comparative profitability with other companies. For each of the aforementioned tranches, the estimated amount accrued annually is recorded in "Equity" in the consolidated balance sheet and its annual allocation is included in "Personnel Expenses" in the consolidated income statement .

On 29 January 2015 the Board of Directors approved the list of beneficiaries of the first block (2014-2017) and corporated management estimated cost of the plans. There were 47 beneficiaries included in the General Plan and 10 in the Special Plan. The related amounted to EUR 2,856 thousand.

On 26 January 2016, the Board of Directors approved the second tranche of the 2014 Long-Term Incentive Plan (the General Plan and the Special Plan) for the 2015-2018 vesting period. The beneficiaries of the second tranche numbered 50 for the General Plan and 10 for the Special Plan. The total estimated cost of the second tranche is EUR 2,491 thousand.

On 24 January 2017, the Board of Directors approved the third tranche of the 2014 Long-Term Incentive Plan (the General Plan and the Special Plan) for the 2016-2019 vesting period. The beneficiaries of the third tranche numbered 56 for the General Plan and 9 for the Special Plan. The total estimated cost of the third tranche is EUR 2,623 thousand.

The annual charge for the cost of the three tranches included under "Staff Costs" in the consolidated statement of profit or loss for the period ended 30 September 2017 amounted to EUR 2,684 thousand (2016: EUR 1,772 thousand relating to the first and second tranche).

In order to cater for the two tranches of the equity-settled long-term incentive plan, and by virtue of the authorisation granted by the Board of Directors, the Group acquired 415,621 treasury shares for EUR 8,193 thousand (EUR 3,161 thousand in 2017, EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015) (see Note 14-f). In 2017, 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries.

On 20 December 2016 the Parent's Board of Directors approved the general and special 2017 long-term incentive plans for the 2017-2022 period, which will have a total term of five years and be divided

into three three-year tranches, the first of which begins on 1 October 2017. The estimated total cost of the first tranche (2017-2020) is EUR 3,460 thousand. This plan has been approved by the General Shareholders' meeting on 17 February 2017. There are estimated to be 50 beneficiaries of the General Plan and 10 of the Special Plan.

Lastly, on 24 January 2017, the Company's Board of Directors extended the Company's Extended Share Repurchase Programme (for up to 585,671 shares, i.e. 0.44% of the share capital) until 1 October 2017, in order to assign the repurchased shares to the second tranche of the "2014 Long-Term Incentive Plan".

4.13 Provisions

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

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

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

4.14 Foreign currency transactions

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

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

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

4.15 Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, i.e. when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises. Specifically, revenue represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT, excise duty on tobacco products and other sales taxes.

As a result of the regulations of the main countries in which the Group operates, the Group makes payments to the relevant tax authorities in respect of excise duties on the tobacco products it sells, which are also charged to customers. The Group does not recognise as income or expenses the amounts relating to the aforementioned excise duties, which amounted to approximately EUR 29,349,967 thousand in 2017 and EUR 27,463,847 thousand in 2016.

In the particular case publishing sector, the customers are entitled to return the products they fail to sell and in turn, the Group may exercise this right with respect to its suppliers. At each reporting date, a provision is recognised based on the historical experience of the sales returns for the purpose of adjusting the margins obtained in relation to products that it is forecast will ultimately be returned (see Note 18).

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

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

4.16 Income tax

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

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

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

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

The Group recognises the deferred tax arising from the deductibility of the amortisation, for tax purposes, of certain items of goodwill generated on the acquisition of companies (see Note 19).

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

"Income Tax" represents the sum of the current tax expense and the result of recognising deferred tax assets and liabilities (see Note 19).

On 7 September 2017, Altadis, S.A.U. sold 13,275,000 shares representing 10% of the Parent's share capital, maintaining a 60% ownership interest in the Parent's share capital (see Note 13), which resulted in the discontinuation of the consolidated income tax group of which the Parent formed part, the ultimate head of which was Imperial Tobacco España, S.L.U.

On 18 September 2017, the Parent notified the tax authorities of its intention to file consolidated tax returns and be parent of the tax group, effective for the year initiated 1 October 2016. This communication has been accepted by the tax authorities, assigning as fiscal group number 548/17.

4.17 Consolidated statements of cash flows

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

1. Cash flows: inflow and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
2. Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.
3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.
4. Financing activities: activities that result in changes in equity and borrowings.

5. Earnings per share

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

Earnings per share are calculated as follows:

	2017	2016
Net profit for the year (thousands of euros)	153,862	132,079
Weighted average number of shares issued (thousands of shares) (*)	132,364	132,551
Earnings per share (euros)	1.16	1.00

(*) On 30 September 2017, the Company holds 391,432 own shares.

At 30 September 2017 and 2016, there were no dilutive effects on basic earnings per share.

6. Property, plant and equipment

6.1 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2017 and 2016 were as follows:

2017

	Thousands of Euros					Balance at 30-09-17
	Balance at 30-09-16	Changes perimeter (Note 2.7.5)	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	
Cost:						
Land and buildings	221,919	45	440	(151)	452	222,705
Plant and machinery	183,710	2,743	4,099	(3,299)	4,073	191,326
Other fixtures, tools and furniture	144,528	49	3,861	(2,905)	3,774	149,307
Other items of property, plant and equipment	36,211	224	56	(221)	997	37,267
Property, plant and equipment in the course of construction	9,511	-	13,157	-	(9,279)	13,389
	595,879	3,061	21,613	(6,576)	17	613,994
Accumulated depreciation:						
Buildings	(106,247)	(4)	(4,812)	144	(161)	(111,080)
Plant and machinery	(139,784)	(1,802)	(9,913)	2,790	425	(148,284)
Other fixtures, tools and furniture	(118,259)	(43)	(6,892)	2,791	67	(122,336)
Other items of property, plant and equipment	(23,011)	(155)	(2,262)	198	(369)	(25,599)
	(387,301)	(2,004)	(23,879)	5,923	(38)	(407,299)
Impairment losses	(18,737)	-	(338)	-	-	(19,075)
	189,841	1,057	(2,604)	(653)	(21)	187,620

2016

	Thousands of Euros				
	Balance at 30-09-15	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	Balance at 30-09-16
Cost:					
Land and buildings	232,240	4	(1,991)	(8,334)	221,919
Plant and machinery	178,402	3,034	(7,863)	10,137	183,710
Other fixtures, tools and furniture	138,495	3,258	(2,587)	5,362	144,528
Other items of property, plant and equipment	38,533	56	(194)	(2,184)	36,211
Property, plant and equipment in the course of construction	11,836	9,466	(1)	(11,790)	9,511
	599,506	15,818	(12,636)	(6,809)	595,879
Accumulated depreciation:					
Buildings	(108,959)	(5,028)	1,355	6,385	(106,247)
Plant and machinery	(135,391)	(10,864)	7,590	(1,119)	(139,784)
Other fixtures, tools and furniture	(110,696)	(8,219)	2,517	(1,861)	(118,259)
Other items of property, plant and equipment	(23,337)	(2,461)	158	2,629	(23,011)
	(378,383)	(26,572)	11,620	6,034	(387,301)
Impairment losses	(18,882)	-	145	-	(18,737)
	202,241	(10,754)	(871)	(775)	189,841

Additions

The most notable additions in 2017 and 2016 related mainly to projects currently underway in relation to safety systems at the warehouses and the development of information systems.

Disposals

In 2016 the Group sold the property located in Villaviciosa de Odón (Spain) housing the offices of Compañía de Distribución Integral de Publicaciones Logista, S.L. (Sole-Shareholder Company). The transaction amounted to EUR 1.4 million and gave rise to a net gain of EUR 0.8 million, and the latter amount was recognised under "Net gain on disposal and impairment of non-current assets" in the accompanying consolidated statement of profit or loss for 2016.

Transfers

In 2017 items of plant, machinery and other fixtures were transferred within this line item from "Property, Plant and Equipment in the Course of Construction". Additionally, point of sale terminals have been transferred from "Inventories", as they have been leased.

In 2016 the property in Portonaccio (Rome) with a carrying amount of EUR 6 million at 30 September 2016 was transferred from this line item to "Investment Property". Also, the Group transferred to this line item the property located in Auby (France), which had previously been recognised under "Non-Current Assets Classified as Held for Sale".

Lastly, transfers have been made from "Other Intangible Assets" during the fiscal year when information system-related projects have been completed and come into service.

Depreciation

In 2017, the investment properties included in the accompanying consolidated balance sheet totaled EUR 425 thousand. In addition, the "Research expenses" caption in the consolidated income statement includes EUR 96 thousand of amortization of items assigned to it.

Impairment

No significant impairment losses recognised during 2017 or 2016.

6.2 Other disclosures

Fully depreciated items of property, plant and equipment in use at 30 September 2017 amounted to EUR 285,077 thousand (EUR 259,864 thousand at 30 September 2016).

At the end of 2017 the Group had yet to formalise the acquisition of a land lot in Alcalá de Guadaira (Seville), for which it paid an advance of EUR 4,671 thousand in 2005, which is recognised under "Property, Plant and Equipment in the Course of Construction". This formalisation is dependent upon the municipal authority executing the corresponding land development projects. Compañía de Distribución Integral Logista, S.A.U., directors have commenced actions aimed at ensuring that the municipal authority meets the obligations assumed.

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

At 30 September 2017 and 2016, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR 65,851 thousand and EUR 67,715 thousand, respectively.

7. Goodwill

Breakdown and significant changes

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	30-09-17	30-09-16
Italy, tobacco and related products	662,922	662,922
France, tobacco and related products	237,106	237,106
Iberia, transport	18,269	18,269
Iberia, other business: Pharma	486	486
Iberia, tobacco and related products	6,896	321
	925,679	919,104

Italy, tobacco and related products

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

France, tobacco and related products

The goodwill associated with Logista France, S.A.S. arose on the acquisition by Compañía de Distribución Integral Logista, S.A.U. of all the shares representing the share capital of Altadis Distribution France, S.A.S. (actually Logista France, S.A.S) from Seita, S.A.S., which belongs to Grupo Imperial Brands Limited PLC. The information on this acquisition is included in the Group's consolidated financial statements for 2014 and 2013.

Iberia, transport

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

Spain and Portugal, tobacco and related products

The goodwill related to José Costa & Rodrigues arose from the acquisition by MIDSID –Sociedade Portuguesa de Distribuição, S.A., on 13 February 2017, of all the shares representing the share capital of the former for EUR 7,700 thousand plus an additional maximum amount of EUR 4,025 thousand, related to the working capital of the acquired company. Having analysed the fair value of the assets and liabilities acquired, Group management allocated EUR 6,575 thousand to goodwill (see Note 2.7.5).

Goodwill impairment analysis

The assumptions used in testing for impairment were as follows:

Discount and growth rates

	2017		2016	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Italy, tobacco and related products	6.70%	0.00%	6.70%	0.00%
France, tobacco and related products	5.60%	0.00%	5.90%	0.00%
Iberia, transport	6.71%	0.00%	6.50%	0.00%
Iberia, other business: Pharma	5.80%	0.00%	6.00%	0.00%
Iberia, tobacco and related products	6.40%	0.00%	6.80%	0.00%

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

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

Other salient matters

a. Italy, tobacco and related products:

- Volume of cigarettes, rolling tobacco and cigars.
- Changes in tobacco retail prices.
- Changes in excise taxes on tobacco and VAT.
- Investments.

b. France, tobacco and related products:

- Volume of cigarettes, rolling tobacco and cigars.
- Changes in tobacco retail prices.
- Changes in excise taxes on tobacco and VAT.
- Investments.

c. Iberia, transport:

- Fuel costs
- Investments

d. Iberia, other business: Pharma

- Regulation of the pharmaceutical industry.
- Investments

e. Iberia, tobacco and related products:

- Volume of cigarettes, rolling tobacco and cigars.
- Changes in tobacco retail prices.
- Changes in excise taxes on tobacco and VAT.
- Investments.

Based on the methods used and the estimates, projections and valuations available to the Parent's directors, no impairment losses were recognised in relation to these assets in 2017 and 2016.

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

- Increase of 100 basis points in the discount rate.

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

8. Other intangible assets

The changes in "Other Intangible Assets" in 2017 and 2016 were as follows:

2017

	Thousands of Euros				
	Balance at 30-09-16	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30-09-17
Cost:					
I+D expenses	2,223	-	-	-	2,223
Computer software	176,494	650	(122)	10,659	187,681
Concessions, rights and licences	779,745	-	-	(1,877)	777,868
Advances and intangible assets in progress	5,070	6,693	-	(8,097)	3,666
	963,532	7,343	(122)	685	971,438
Accumulated amortisation-					
I+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(146,938)	(10,775)	120	(1,061)	(158,654)
Concessions, rights and licences	(209,416)	(51,768)	-	1,061	(260,123)
	(358,546)	(62,543)	120	-	(420,969)
Impairment losses	(2,623)	-	-	-	(2,623)
	602,363	(55,200)	(2)	685	547,846

2016

	Thousands of Euros				
	Balance at 30-09-15	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30-09-16
Cost:					
I+D expenses	2,223	-	-	-	2,223
Computer software	168,123	537	(4,921)	12,755	176,494
Concessions, rights and licences	779,726	-	-	19	779,745
Advances and intangible assets in progress	13,344	8,540	-	(16,814)	5,070
	963,416	9,077	(4,921)	(4,040)	963,532
Accumulated amortisation-					
I+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(140,447)	(11,363)	4,921	(49)	(146,938)
Concessions, rights and licences	(157,449)	(51,967)	-	-	(209,416)
	(300,088)	(63,330)	4,921	(49)	(358,546)
Impairment losses	(2,623)	-	-	-	(2,623)
	660,705	(54,253)	-	(4,089)	602,363

Additions

The additions to "Other intangible assets" in 2017 and 2016 relate mainly to functional development projects for the Logista Group's existing applications to improve or increase the services provided to its customers and the implementation of new management systems (SAP) in certain business segments.

Transfers

The transfers to "Computer Software" in 2017 and 2016 relate to the reclassification of various items that have been put into operation from the account "Advances and intangible assets in progress" attending to their nature.

Impairment

In 2017 and 2016 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

At 30 September 2017 and 2016, fully amortised intangible assets in use amounted to approximately EUR 135,333 and EUR 124,477 thousand, respectively.

9. Financial assets

The detail of "Other Non-Current Financial Assets" and "Current Financial Assets" in the accompanying consolidated balance sheets at 30 September 2017 and 2016 is as follows:

2017

Financial Assets: Nature/Category	Thousands of Euros				
	30-09-2017				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 26)	Short-Term Deposits and Guarantees	Available- for-Sale Financial Assets	Total
Equity instruments	-	-	-	677	677
Financial debts	194	-	-	-	194
Other financial assets	-	-	3,650	-	3,650
Non-current	194	-	3,650	677	4,521
Financial debts	30,479	1,790,850	-	-	1,821,329
Other financial assets	-	-	397	-	397
Current	30,479	1,790,850	397	-	1,821,726
	30,673	1,790,850	4,047	677	1,826,247

2016

Financial Assets: Nature/Category	Thousands of Euros				
	30-09-2016				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 26)	Short-Term Deposits and Guarantees	Available- for-Sale Financial Assets	Total
Equity instruments	-	-	-	23,331	23,331
Financial debts	266	-	-	-	266
Other financial assets	-	-	3,585	-	3,585
Non-current	266	-	3,585	23,331	27,182
Financial debts	30,934	2,007,506	-	-	2,038,440
Other financial assets	-	-	661	-	661
Current	30,934	2,007,506	661	-	2,039,101
	31,200	2,007,506	4,246	23,331	2,066,283

Loans granted to third parties

The venturers of "UTE Cía de distribución Integral Logista, S.A.U. y IGR Spain Lottery, S.L.U." (before "Compañía de Distribución Integral Logista, S.A.U., and GTECH Global Lottery, S.L.U., Unión Temporal de Empresas") granted a loan to this joint venture divided into equal shares which at 30 September 2017 totalled EUR 121,266 thousand, Compañía de Distribución Integral Logista, S.A.U. recognised EUR 30,317 thousand (2016: EUR 30,629 thousand) in this connection, which are presented under "Other Current Financial Assets" and "Other Current Financial Liabilities" in the accompanying consolidated balance sheet at 30 September 2016, for the receivables from and payables to the aforementioned joint venture that correspond to the other venturer (see Note 20).

Credits granted to related parties

As of 12 June 2014, Imperial Brands Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A.U., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a 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 2,600 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 Brands Enterprise Finance Limited for the purpose of optimising its cash flow, and the loans from Imperial Brands Enterprise Finance Limited to Compañía de Distribución Integral Logista, S.A.U. in order for the latter to be able to meet its cash needs arising from its operations. In accordance with this agreement, Compañía de Distribución Integral Logista, S.A.U. will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations.

The interest accrued on this credit line at 30 September 2017 amounted to EUR 12,629 thousand (30 September 2016: EUR 12,392 thousand) (see Note 26).

The daily balance of this internal current account has an equivalent cost to the interest at the European Central Bank interest rate, plus a spread of 2.2% for the credit provisions, and earn at the same reference rate, plus a spread of 0,75% for the surplus loans. Interest is calculated on a daily basis, based on 360 days, and is capitalised every quarter.

Under this agreement the Parent has undertaken to refrain from obtaining financing from third parties and from encumbering in any way its assets unless the aforementioned transaction is approved by a qualified majority of the Board of Directors.

Available-for-sale financial assets

On 19 December 2016, the subsidiary Logista Italia, S.p.A. sold its 13.33% stake in Banca ITB, S.p.A. to Intesa Sanpaolo, S.p.A. for EUR 22,667 thousand, which gave rise to a gain of EUR 18,119 thousand (net of sale-related expenses), which was recognised under "Finance Income" in the accompanying consolidated statement of profit or loss.

10. Inventories

The detail of the Group's inventories at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Tobacco	1,015,952	993,352
Published materials	15,385	12,634
Other merchandise	98,606	86,629
Write-downs	(7,321)	(6,786)
	1,122,622	1,085,829

The balance of tobacco inventories includes the excise duty chargeable to the tobacco items for the tobacco stock in the Group's warehouses at 30 September 2017, for a total amount of EUR 393,831 thousand (2016: EUR 394,452 thousand).

The write-down in year 2017 and 2016 relates mainly to tobacco inventories that were defective or that cannot be sold at year end, The changes in the write-downs relating to "Inventories" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
Accumulated write-down at 30 September 2015	9,585
Period write-downs	8,708
Reversals	(11,507)
Accumulated write-down at 30 September 2016	6,786
Period write-downs	6,141
Reversals	(5,606)
Accumulated write-down at 30 September 2017	7,321

At 30 September 2017 and 2016, the Group had arranged insurance policies to cover the value of its inventories.

11. Trade and other receivables

The detail of "Trade and Other Receivables" in the accompanying consolidated balance sheets at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Trade receivables for sales and services	1,655,877	1,781,826
Related companies (Note 26)	26,684	7,906
Sundry accounts receivable	116,683	41,882
Employee receivables	285	709
Less- Allowances for doubtful debts	(52,191)	(55,161)
	1,747,338	1,777,162

The changes in the "Allowances for Doubtful Debts" in 2017 and 2016 are as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2015	60,409
Period write-downs	3,727
Reversals	(6,013)
Amounts used	(1,232)
Changes in the Scope of Consolidation	(1,730)
Allowance for doubtful debts at 30 September 2016	55,161
Period write-downs	2,619
Reversals	(4,201)
Changes in the Scope of Consolidation	(1,388)
Allowance for doubtful debts at 30 September 2017	(52,191)

The additions to and reversals from the allowance for doubtful debts in 2017 and 2016 are recognised under "Cost of Logistics Networks - Other Operating Expenses" in the accompanying consolidated income statement.

At 30 September 2017 and 2016, the total amounts of balances provided are older than 90 days.

Trade receivables for sales and services

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

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

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

The detail of the past-due receivables for which no allowance had been recognised at 30 September 2017 and 2016 is as follows:

Tranche	Thousands of Euros	
	2017	2016
0-30 days	35,977	30,176
30-90 days	9,525	10,433
90-180 days	6,146	4,666
180-360 days	1,194	1,214
More than 360 days	753	729

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

12. Cash and cash equivalents

"Cash and Cash Equivalents" in the consolidated balance sheets at 30 September 2017 and 2016 includes mainly the Group's cash deposited in current accounts at banks.

The average interest rate obtained by the Group on its cash and cash equivalent balances was 0.74% in 2017 and 2016.

13. Equity

At the end of 2017 and 2016 the Parent's share capital amounted to EUR 26,550 thousand and was represented by 132,750,000 fully subscribed and paid shares of EUR 0.2 par value each, all of the same class.

As indicated in Note 1, the Parent was incorporated on 13 May 2014, with a share capital of EUR 60 thousand, divided into 300,000 shares of EUR 0.20 par value each, all of which are of the same class and fully subscribed and paid in cash by its sole shareholder, Altadis, S.A.U.

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 (Logista Group Partner Company until that moment). 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 consolidated text and the Mercantile Registry Regulations.

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

On 7 September 2017, Altadis, S.A.U. sold 13,275,000 shares, representing 10% of the Parent's share capital.

The only shareholder with an ownership interest of 10% or more in the Parent's share capital at 30 September 2017 is Altadis, S.A.U., with an ownership interest of 60% (70% as of 30 September 2016).

At 30 September 2017, all shares of the Parent have the same voting and dividend rights.

Capital Management

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

At 30 September 2017, the Group had a net cash position amounting to EUR 1,889 million (30 September 2016: EUR 2,029 million), the detail being as follows:

	Thousands of Euros	
	2017	2016
Bank borrowings	-	-
Other current financial liabilities	(34,371)	(33,627)
Gross debt	(34,371)	(33,627)
Current financial assets (Note 9)	1,821,726	2,039,101
Cash and cash equivalents	101,808	23,625
Financial assets and cash	1,923,534	2,062,726
Total net financial position	1,889,163	2,029,099

14. Reserves

a) Share premium

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

b) Reserves of the Parent

Legal reserve

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

On 30 September 2017 the Parent's legal reserve has reached the legally required minimum.

Other reserves

The capital increase expenses incurred by the Company in 2014 in the transaction described under "Share capital", which were taken to reserves, amount to EUR 176 thousand, net of the related tax effect. This heading also includes the amounts relating to the Share Plan for 2014, amounted EUR 2,207 thousand in 2017 (2016: EUR 1,772 thousand) (see Note 4.12).

c) Reorganisation reserve

This line item includes the net effect which arose in the Parent's reserves as a result of the corporate reorganisation that took place during the year 2014, as described in Note 1, in conformity with the regulatory financial reporting framework applicable to the Group.

d) Reserve for first-time application of IFRSs

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

e) Dividends

On 21 March 2017, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2016, which included an interim dividend out of the profit for that year, which had previously been approved by the Board of Directors and paid, amounting to EUR 33,119 thousand, together with a final dividend of EUR 86,017 thousand.

On 27 July 2017, the Parent's Board of Directors approved the distribution of an interim dividend of EUR 0.30 per share out of the profit for 2017, totalling EUR 39,708 thousand, which was paid on 30 August 2017 (see Note 3).

f) Treasury shares

To cater of the long-term share-based incentive scheme and pursuant to the authorisation granted by the Board of Directors, the Group acquired 415,621 treasury shares for EUR 8,193 thousand (EUR 3,161 thousand in 2017, EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015).

In addition, 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries in 2017, and the total net amount recognised at 30 September 2017 was EUR 7,716 thousand.

15. Reserves at consolidated companies

The detail of "Reserves of Group Companies and Associates" in the consolidated balance sheets at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Reserves in fully consolidated companies	216,999	224,948
Reserves in companies consolidated by the equity method	(625)	(1,034)
	216,374	223,914

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

16. Minority interests

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

Entity	Thousands of Euros			
	2017		2016	
	Minority Interests	Income Atributable To Minority Shareholders	Minority Interests	Income Atributable To Minority Shareholders
Distribuidora Valenciana de Ediciones, S.A.	346	(14)	360	(46)
Terzia, S,p,A.	1,125	(265)	1,390	348
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	54	10	49	6
Distribuidora de Publicaciones del Sur, S.L.	182	8	174	21
Other entities	159	-	159	-
	1,866	(261)	2,132	329

17. Financial Risk Exposure

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

The Group's activities are exposed to various financial risks: market risk (including exchange risk), credit risk, liquidity risk and cash flow interest rate risk.

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

Credit risk

The Company's main financial assets are cash, loans to Group companies and trade and other receivables. In general, the Group holds its cash and cash equivalents at banks with high credit ratings. Also, the Group is exposed to the credit risk or counter-party risk of the group Imperial Brands Group, PLC, as a result of the cash transfer agreements entered into therewith.

The Group controls the risks of doubtful debts and default by setting credit limits and establishing demanding conditions with respect to collection periods; this commercial risk is distributed among a large number of customers with short collection periods and historically very low rates of non-payment and, therefore, the exposure to credit risk vis-à-vis non-Group third parties is not significant.

The Group considers that at 30 September 2017 the level of credit risk exposure of its financial assets is not significant.

Interest rate risk

In relation to its cash and cash equivalents and bank borrowings, the Group is exposed to interest rate fluctuations which might affect its profit and cash flows.

In accordance with the disclosure requirements of IFRS 7, the Group performed a sensitivity analysis in relation to the possible interest rate fluctuations which might occur in the markets in which it operates. Based on these requirements, the Group considers that each interest rate drop of 10 basis points would give rise to a decrease in the Group's finance income of EUR 1.75 million.

Foreign currency risk

The level of exposure of equity and the income statement to the effects of future changes in the foreign currency exchange rates in force is not significant because the volume of the Group's transactions in currencies other than the euro is not material (see Note 25).

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

Liquidity risk

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

Also, at 30 September 2017, the Group had a working capital deficiency amounting to EUR 862,601 thousand (30 September 2016: EUR 922,945 thousand). However, as a result of the difference between the average collection and payment, the Group generates sufficient liquidity to meet these payments.

In any event, the Group, for the purpose of ensuring liquidity and enabling it to meet all the payment obligations arising from its business activities, has the cash and cash equivalents disclosed in its consolidated balance sheet, together with the cash-pooling facilities with companies in the Group to which it belongs (see Note 9).

18. Provisions

The detail of the balance of short- and long-term provisions in the accompanying consolidated balance sheets at 30 September 2017 and 2016 and of the main changes therein in the periods is as follows:

2017

	Thousands of Euros						Balance at 30-09-2017
	Balance at 30-09-2016	Additions to the perimeter	Additions	Reversions	Provisions Used	Transfers	
Customs and excise duty assessments	7,411	-	1,365	(600)	-	-	8,176
Obligations to employees	16,428	-	8,252	(3,530)	(781)	-	20,369
Provision for restructuring costs	8	-	-	-	-	-	8
Provision for contingencies and charges	4,481	-	1,199	(13)	-	-	5,667
Other	4,502	-	-	(418)	(1,618)	-	2,466
Non-current provisions	32,830	-	10,816	(4,561)	(2,399)	-	36,686
Provision for restructuring costs	7,725	-	4,660	(808)	(6,518)	1,190	6,249
Customer Refunds	2,791	-	301	(1,087)	-	-	2,005
Other	6,622	76	1,283	(1,266)	(1,299)	58	5,474
Current provisions	17,138	76	6,244	(3,161)	(7,817)	1,248	13,728

2016

	Thousands of Euros						Balance at 30-09-16
	Balance at 30-09-15	Additions	Reversions	Provisions Used	Transfers		
Customs and excise duty assessments	15,491	360	-	(8,440)	-	7,411	
Obligations to employees	15,601	2,137	(65)	(673)	(572)	16,428	
Provision for restructuring costs	1,900	758	-	-	(2,650)	8	
Provision for contingencies and charges	5,380	1	(11)	-	(889)	4,481	
Other	4,639	1,229	(328)	(1,349)	311	4,502	
Non-current provisions	43,011	4,485	(404)	(10,462)	(3,800)	32,830	
Provision for restructuring costs	10,278	3,409	(1,438)	(6,855)	2,331	7,725	
Customer Refunds	2,650	141	-	-	-	2,791	
Other	3,867	3,493	(724)	(1,783)	1,769	6,622	
Current provisions	16,795	7,043	(2,162)	(8,638)	4,100	17,138	

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

Compañía de Distribución Integral Logista, S.A.U. has recognised provisions for assessments as a result of audits by the Spanish customs authorities of the returns for excise tax on tobacco products for 2007 to 2009. The Company signed the assessments on a contested basis and filed appeals against them, however, it has recognised provisions for the possible deficiency and interest in this connection in order to cater for the possibility of unfavourable decisions being handed down on the appeals.

In 2016 the Company made payments totalling EUR 8,440 thousand in relation to the assessments signed on a contested basis for excise taxes for 2007 and 2008, using the provision recognised in this connection in prior years. Although the Company has appealed against these tax assessments, it made the related payments in order to avoid incurring interest in this connection. Also, in 2016 a tax assessment was issued in relation to foreign trade activity tax settlements for 2014 amounting to EUR 150 thousand.

In previous years, the Company received proceedings relating to settlement of customs duty for the year 2012 and 2013 amounting to EUR 3,188 and 9,400 thousand, respectively. The Group, based on the opinion of its external advisors has not accrued it, no provisions were recognised in relation to the former and payment of the latter was recognised as an asset in the accompanying balance sheet at 30 September 2017, since it was considered that the appeals filed would be successful.

Provisions for employee benefit obligations

This line item includes mainly the present value of the obligations assumed by Compañía de Distribución Integral Logista, S.A.U. in relation to long-service bonuses and the "tobacco gift", as well as the retirement bonus obligations recorded by the subsidiaries of the Group in order to cover the retirement benefits. Of the provision recognised in 2017 which amounts to EUR 8,252 thousand; EUR 1,551 thousand were recorded with a charge to "Reserves of Consolidated Companies", since they relate to the impact in the actuarial assumptions used to calculate the present value of the total obligation assumed by those companies (EUR 1,329 thousand in 2016). Additionally, a provision of EUR 6,860 thousand was recognised as a result of a decision handed down by the Employment Tribunal of the National Appellate Court, which ordered that Compañía de Distribución Integral Logista, S.A.U. recognise the right of those employees formerly employed by Altadis, S.A.U. who had retired after 2005 to receive, once they had retired, the equivalent monetary value of the gift tobacco they would currently receive as active personnel. The Company has appealed against this decision at the Supreme Court.

Provision for restructuring costs

This account includes mainly the estimate of the payments to be made in relation to the restructuring plans that are being implemented at the Group. In 2017 and 2016, provisions were recognised amounting to EUR 4,660 thousand and EUR 4,167 thousand, respectively, and indemnity payments were made amounting to EUR 6,518 thousand and EUR 6,855 thousand, respectively, with a charge to the provisions that were recognised for that purpose.

These provisions were reclassified to current liabilities on the basis of the directors' estimates as to the dates on which these proceedings will come to an end.

Provisions for customer refunds

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

Provisions for contingencies and charges

"Provision for Contingencies and Charges" includes mainly several lawsuits in process in which the Group is involved with third parties, as well as other third-party liability.

19. Tax matters

Consolidated Tax Group

The sale by Altadis, S.A.U. of 10% of the Parent's share capital in 2017 resulted in the discontinuation of the consolidated tax group with Imperial Tobacco España, S.L.U., since the ownership interest held by it in the Parent fell to 60% of the share capital (see Note 13). A request was submitted to the tax authorities to transfer the status of parent of the consolidated tax group to Compañía de Distribución Integral Logista Holdings, S.A. In 2017 several of the Group companies filed consolidated tax returns with the Parent (see Note 4.16). The companies that file consolidated tax returns together with the Parent, for income tax purposes, are: Compañía de Distribución Integral Logista, S.A.U., Distribérica, S.A.U., Publicaciones y Libros, S.A., Distribuidora de las Rías, S.A., Logista-Dis, S.A.U., La Mancha 2000, S.A.U., Dronas, 2002, S.L.U., T2 Gran Canaria, S.A.U., Distribuidora de Publicaciones Siglo XXI Guadalajara, S.L.U., Logista Pharma, S.A.U., Cyberpoint, S.L.U., Distribuidora del Noroeste, S.L., Compañía de Distribución Integral de Publicaciones Logista, S.L.U., Distribuidora del Este, S.A.U., S.A. Distribuidora de Ediciones, Logesta Gestión de Transporte, S.A.U., and Be to Be Pharma, S.L.U.

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

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

Additionally, Compañía de Distribución Integral Logista, S.A. - Sucursal em Portugal, Midsid – Sociedade portuguesa de Distribuicao, S.A. and Logista Transportes, Transitarios e Pharma, Lda, are taxed under a tax consolidation regime for Corporate Income Tax purposes in Portugal, being the head of said group Compañía de Distribución Integral Logista, S.A.-Sucursal in Portugal.

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

Years open for review by the tax authorities

Compañía de Distribución Integral Logista, S.A.U. has open for review by the tax authorities 2014, 2015, and 2016 for excise taxes, the exercises 2015, 2016 and 2017, for custom tax and the last four years for all the other taxes applicable to the consolidated tax Group.

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

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

Tax receivables and payables

The detail of the tax receivables at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Deferred tax assets:		
Provision for restructuring costs	1,182	2,116
Goodwill	1,875	2,223
Impairment losses and other	881	3,723
Provision for third-party liability	11,853	10,022
Other deferred tax assets	4,153	4,315
	19,944	22,399
Tax receivables (current):		
VAT refundable	4,558	6,497
Income tax refundable	30,730	902
Other	1,471	197
	36,759	7,596

The deferred tax assets relate mainly to provisions recognised for restructuring plans, termination benefits and obligations to employees that will become tax deductible in the coming years. Also, Law 16/2012, of 27 December, established for 2013 and 2014 a ceiling on the deductibility of the depreciation and amortisation charge. Specifically, it was possible to deduct up to 70% of the depreciation and amortisation charge, and the portion of the charge that was not deductible started to be deducted in 2016 on a straight-line basis at a rate of one-tenth per year.

The detail of the tax payables at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Deferred tax liabilities:		
Assets contributed by Logista	589	650
Revaluation of land owned by the Parent (Note 14-d)	7,125	7,125
Goodwill	88,763	83,615
Business Combination	184,607	214,252
Other	17,884	23,075
	298,968	328,717
Tax payables (current):		
Excise duty on tobacco products	3,567,440	3,771,386
VAT payable	851,835	925,012
Customs duty settlements	4,212	4,592
Income tax, net of prepayments	2,346	28,896
Personal income tax withholdings	4,216	3,693
Social security taxes payable	16,828	15,204
Tax retention to tobaccoists (France)	28,735	31,353
Other	88,792	4,841
	4,564,404	4,784,977

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

The deferred tax liabilities arising from business combinations relate mainly to the tax effect of the recognition of the agreements with the tobacco manufacturers of the subsidiary Logista France, S.A.S., within the context of the acquisition of this subsidiary in 2013 (see Notes 4.4 and 8).

At September 30, 2017 the "Other items" caption includes an account payable with the French tax authorities for an amount of EUR 87 million, which in turn has been re-invoiced to tobacco manufacturers, since they are the final taxable subjects.

Until 2011, each year Compañía de Distribución Integral Logista, S.A.U decreased its taxable profit by one twentieth of the implicit goodwill included in the acquisition price of its subsidiary in Italy. These reductions are considered to be temporary differences. On 30 March 2012, Royal Decree-Law 12/2012 came into

force, introducing various tax and administrative measures aimed at reducing the public deficit. These measures include limiting the tax deductibility of such goodwill to 1% per year. The maximum tax credit from 1 January 2016 onwards is 5% per year.

Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the aggregate taxable profit and of the accounting profit before tax to the income tax expense resulting from the application of the standard tax rate in force in Spain for the years ended 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Accounting profit before tax	187,958	187,764
Permanent differences	(22,660)	(2,423)
Tax charge at 25%-28%	41,325	51,895
Effect of different tax rates and changes thereto	(2,118)	10,083
Corporation tax adjustments	(7,300)	(8,940)
CVAE France	2,863	2,650
Reductions	(455)	(1,243)
Total income tax expense recognised in consolidated profit or loss	34,315	55,236

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

- Spain: Spanish Income Tax Law 27/2014 was published on 27 November 2014. This Law introduced certain changes to tax legislation in relation to income tax and came into force on 1 January 2015. As a result, the tax rates applicable in 2016 and 2017 are 28% and 25%, respectively.
- France: the standard tax rate is 34.43%.
- Italy: the income tax rate is 27.5% and there is a supplementary business tax which can represent an additional 4.6651%. A reduction in the tax rate from 27.5% to 24.5% applicable for years beginning on or after 1 January 2017 was approved on 31 December 2015.
- Portugal: the income tax rate is 22.5%, and there is an obligation to make pre-payments even if an entity is reporting a loss.
- Poland: the income tax rate is 19%.

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2017	2016
Current tax:		
Continuing operations	61,609	36,145
Deferred tax:		
Continuing operations	(16,184)	17,807
Tax adjustment and others	(11,110)	1,284
Total tax expense	34,315	55,236

Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2017 and 2016 are as follows:

2017

	Thousands of Euros			
	Balance at 30/09/16	Change in Profit or Loss	Others	Balance at 30/09/17
Deferred tax assets:				
Provision for restructuring costs	2,116	(866)	(68)	1,182
Goodwill	2,223	(348)	-	1,875
Impairment losses and other	3,723	(2,829)	(13)	881
Provision for third-party liability	10,022	2,197	(366)	11,853
Other deferred tax assets	4,315	(129)	(33)	4,153
	22,399	(1,975)	(480)	19,944
Deferred tax liabilities:				
Assets contributed by Logista	(616)	27	-	(589)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(83,614)	(6,689)	177	(88,763)
Business combination	(214,562)	18,466	11,413	(184,607)
Other	(24,239)	6,355	-	(17,884)
	(328,717)	18,159	11,590	(298,968)

The deferred tax liability caption includes mainly the deferrals associated with the business combinations and goodwill recorded by the Group. During fiscal year 2017 there have been variations to the corporate income tax for the year together with the effect of changes in the tax rate in various legislations.

2016

	Thousands of Euros			
	Balance at 30/09/15	Change in Profit or Loss	Others	Balance at 30/09/16
Deferred tax assets:				
Provision for restructuring costs	1,465	931	(280)	2,116
Goodwill	8,312	(6,006)	(83)	2,223
Impairment losses and other	10,770	(6,781)	(266)	3,723
Provision for third-party liability	10,806	(540)	(244)	10,022
Other deferred tax assets	9,551	(5,081)	(155)	4,315
	40,904	(17,477)	(1,028)	22,399
Deferred tax liabilities:				
Assets contributed by Logista	(699)	83	-	(616)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(80,717)	(1,534)	-	(82,251)
Business combination	(233,756)	19,270	-	(214,486)
Other	(5,834)	(18,149)	(256)	(24,239)
	(328,131)	(330)	(256)	(328,717)

Tax credit and tax loss carryforwards

At 30 September 2017, the Group had tax credits not yet used by the tax group amounting to EUR 5,199 thousand (30 September 2016: EUR 4,619 thousand), which had been earned as part of the previous tax group. These tax credits are recognised under "Other Current Financial Assets" (see Note 26).

The Group's tax loss carryforwards at the end of 2017 were basically as follows:

- Spain: the tax losses not yet offset amount to EUR 6,233 thousand and were incurred by Distribuidora de Ediciones, S.A. and Midsid – Sociedade Portuguesa de Distribuição, S.A.

- Portugal: the tax losses not yet offset amount to EUR 725 thousand.
- Italy: the tax losses not yet offset amount to EUR 762 thousand and were incurred mainly by Logista Transportes, Transitarios e Pharma, Lda
- Poland: the tax losses not yet offset amount to EUR 237 thousand.

20. Other current financial liabilities

This line item includes mainly the balance at Compañía de Distribución Integral Logista, S.A.U relating to the credit facility granted by it to "UTE Cía de distribución Integral Logista, S.A.U. y IGR Spain Lottery, S.L.U." (before, "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas"), which amounted to EUR 30,317 thousand at 30 September 2017 (30 September 2016: EUR 30,629 thousand). This amount represents the balance payable by the Group to "Compañía de Distribución Integral Logista, S.A.U and GTECH Global Lottery S.L.U., Unión Temporal de Empresas" as a result of the account payable to the other venturer of the UTE assumed by the Group (see Note 9).

21. Trade and other payables

The detail of "Trade and Other Payables" in the accompanying consolidated balance sheet at 30 September 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Accounts payable for purchases and services	817,562	689,885
Notes payable	24,114	18,448
Payable to related companies (Note 26)	181,977	179,566
Advances received on orders	54	156
	1,023,707	888,055

Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2017 was approximately 37 days (38 days in 2016).

22. Guarantee commitments to third parties

At 30 September 2017, the Group has been provided with bank guarantees totalling EUR 150,897 thousand (30 September 2016: EUR 158,520 thousand) which, in general, secure the fulfilment of certain obligations assumed by the consolidated companies in the performance of their business activities.

Also, the Group has provided guarantees for its ordinary trading operations; in this regard, the Parent's directors consider that any liabilities not foreseen at 30 September 2017 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2017, the Group had taken out insurance policies to cover possible contingencies for transport and storage in factories and representative offices, fire and third-party liability for all its work centres. The insured sum adequately covers the aforementioned assets and risks.

23. Income and expenses

a) Income

The detail of "Revenue" in the consolidated income statements for 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Iberia	2,695,339	2,639,929
Italy	2,598,628	2,611,200
France	4,234,105	4,410,789
Corporative	7,578	10,408
Adjustment due to inter-segment sales	(42,409)	(40,322)
	9,493,241	9,632,004

b) Staff costs

The detail of the Group's "Staff Costs" in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Wages, salaries and similar expenses	196,129	185,270
Termination benefits	6,748	5,041
Employer social security costs	61,634	61,638
Other employee benefit costs (Note 4.12)	2,086	2,227
Other social costs	12,508	13,939
	(279,105)(*)	268,115 (*)

(*) "Research Expenditure" includes EUR 1,387 thousand and EUR 1,304 thousand of staff costs in 2017 and 2016, respectively.

The average number of employees at the Group, by professional category, in 2017 and 2016, as well as the number of employees as of 30 September 2017 and 30 September 2016 was as follows:

2017

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/17			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	20	2	-	-	20	2	-	-
Line personnel and clerical staff	1,510	1,171	159	157	1,521	1,180	160	159
Messengers	1,525	549	366	140	1,553	540	356	158
	3,055	1,722	525	297	3,094	1,722	516	317
	4,777		822		4,816		833	

2016

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/16			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	21	2	-	-	22	2	-	-
Line personnel and clerical staff	1,455	1,148	173	157	1,472	1,141	160	159
Messengers	1,531	572	379	107	1,528	565	385	160
	3,007	1,722	552	264	3,022	1,708	545	319
	4,729		816		4,730		864	

The average number of disabled employees with a handicap higher than 33% at the Group in 2017 and 2016 was as follows:

Category	2017	2016
Management	-	-
Line personnel and clerical staff	4	4
Messengers	16	26
Total	20	30

Remuneration of senior executives

The senior executive functions are discharged by members of the Management Committee, which consists of 12 members.

The remuneration earned in 2017 by the members of the Management Committee of the Parent amounted to EUR 5,175 thousand (2016: EUR 5,160 thousand). The aforementioned amounts include the amounts vested in the members of the Management Committee in 2017 and 2016 under the incentive plan described in Note 4.12.

The period contributions to the pension plans for members of the Management Committee for 2017 and 2016 amounted to EUR 52 thousand and 36 thousand, respectively.

c) Other operating expenses

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

Cost of logistics networks

	Thousands of Euros	
	2017	2016
Leases	(30,617)	(32,698)
Security and cleaning	(16,032)	(14,558)
Utilities	(16,563)	(16,936)
Other operating expenses	(123,816)	(111,551)
	(187,028)	(175,743)

Commercial expenses

	Thousands of Euros	
	2017	2016
Leases	(2,448)	(2,433)
Security and cleaning	(15)	(16)
Utilities	(1,244)	(1,188)
Other operating expenses	(18,115)	(17,869)
	(21,822)	(21,506)

Head Office costs

	Thousands of Euros	
	2017	2016
Leases	(4,106)	(4,201)
Security and cleaning	(615)	(624)
Utilities	(376)	(369)
Other operating expenses	(16,365)	(14,278)
	(21,462)	(19,472)

d) Future rental payment commitments

The Group has the following future rental payment commitments, classified by year of maturity, without considering future contingent rent revisions:

	Thousands of Euros	
	2017	2016
Within one year	(29,922)	(28,236)
Between one and five years	(55,416)	(60,667)
More than five years	(10,201)	(9,120)
	(95,539)	(98,023)

e) Finance income

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

	Thousands of Euros	
	2017	2016
Interest income (Note 26)	13,156	12,367
Other finance income	18,219	2,153
	31,375	14,520

"Other Finance Income" includes the gain on the sale of the ownership interest in Banca ITB, S.p.A. on 19 December 2016, as indicated in Note 9.

f) Finance expenses

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

	Thousands of Euros	
	2017	2016
Accrual for late payment interests and financial update of provisions	(396)	(783)
Other financial costs	(1,020)	(3,116)
	(1,416)	(3,899)

g) Other disclosures

In 2017 and 2016 the fees for financial audit and other services provided by the joint auditors of the Group's consolidated financial statements, Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L., or by firms related to these joint auditors as result of a relationship of control, common ownership or common management, and the fees billed by the auditors of the separate financial statements of the consolidated companies, and by firms related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	Thousands of Euros				
	Services Rendered by the Main Auditor			Services Rendered by other Auditors	
	2017		2016	2017	2016
	Deloitte	PWC	Deloitte		
Audit services	816	488	1.139	15	15
Reporting package to Imperial Brands, PLC	-	127	-	-	-
Other attest services	37	18	44	68	82
Total audit and related services	853	633	1.183	83	97
Transfer pricing counselling services	60	-	200	-	-
Authorised Economic Operator	-	-	50	-	-
Other services	41	-	91	-	-
Total other services	101	-	341	-	-
Total professional services	954	633	1.524	83	97

From the date of year-end to the date of preparation of these consolidated annual accounts, fees charged for non-audit and related services provided by co-auditor PricewaterhouseCoopers Auditores, S.L. amounted to 84.8 thousand euros.

h) Other disclosures

On 20 June 2017, the Spanish National Markets and Competition Commission (CNMC) resolved to commence enforcement proceedings against several companies, including Compañía de Distribución Integral Logista, S.A.U., for possible anti-competitive behaviour in the Spanish cigarette manufacturing, distribution and retail sale market.

At the date of these consolidated financial statements, a decision had not yet been handed down by the CNMC, which has a maximum period of 18 months from the filing of the proceedings in progress to issue its decision. The Parent's directors and legal advisers consider that the risk of any impact on the Group's equity position and results arising from the aforementioned proceedings would not be significant and, accordingly, no contingent liabilities are expected to arise from those proceedings.

24. Segment reporting

Basis of segmentation

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

Basis and methodology for segment reporting

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

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

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

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

Primary segment reporting

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Other		Total Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue:										
External sales	2,695,339	2,639,929	2,598,628	2,611,200	4,234,105	4,410,789	7,578	10,408	9,535,650	9,672,326
Tobacco and related products	2,322,557	2,270,963	2,598,628	2,611,200	4,049,956	4,207,879	7,578	10,408	8,978,709	9,100,450
Transport	341,121	329,911	-	-	-	-	-	-	341,121	329,911
Other businesses	125,828	129,906	-	-	190,802	209,277	-	-	316,630	339,183
Other adjustments	(94,167)	(90,851)	-	-	(6,643)	(6,367)	-	-	(100,810)	(97,218)
Inter-segment sales									(42,409)	(40,322)
Total revenue	2,695,339	2,639,929	2,598,628	2,611,200	4,234,105	4,410,789	7,578	10,408	9,493,241	9,632,004
Procurements:										
External procurements	(2,161,907)	(2,133,319)	(2,357,771)	(2,366,308)	(3,960,532)	(4,128,951)	-	-	(8,480,210)	(8,628,578)
Inter-segment procurements									36,664	34,656
Total procurements	(2,161,907)	(2,133,319)	(2,357,771)	(2,366,308)	(3,960,532)	(4,128,951)	-	-	(8,443,546)	(8,593,922)
Gross profit:										
External gross profit	533,432	506,610	240,858	244,892	273,573	281,838	7,578	10,408	1,055,441	1,043,748
Tobacco and related products	265,645	248,351	240,858	244,892	228,710	236,335	7,578	10,408	742,791	739,986
Transport	236,084	227,286	-	-	-	-	-	-	236,084	227,286
Other businesses	76,277	73,592	-	-	50,063	50,524	-	-	126,340	124,116
Other and adjustments	(44,574)	(42,619)	-	-	(5,200)	(5,021)	-	-	(49,774)	(47,640)
Inter-segment gross profit									(5,746)	(5,666)
Total gross profit	533,432	506,610	240,858	244,892	273,573	281,838	7,578	10,408	1,049,695	1,038,082
Profit (Loss):										
Segment result	102,904	89,787	57,810	72,150	10,399	25,893	(13,848)	(11,591)	157,265	176,241
Share of results of associates									734	902
Profit (Loss) from operations	102,904	89,787	57,810	72,150	10,399	25,893	(13,848)	(11,591)	157,999	177,143

Inter-segment sales are made at prevailing market prices.

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

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Others		Total Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Other disclosures:										
Additions to non-current assets	20,123	18,210	4,539	2,351	4,905	4,318	24	14	29,591	24,893
Depreciation and amortisation charge	(22,452)	(24,945)	(6,260)	(7,427)	(58,051)	(57,786)	(84)	(89)	(86,846)	(90,247)
Balance sheet:										
Assets-										
Property, plant and equipment, investment properties and non-current assets held for sale	141,587	141,277	20,734	21,911	43,526	45,272	160	213	206,007	208,673
Other non-current assets	61,833	60,708	670,562	693,593	766,356	818,143	823	5	1,499,574	1,572,449
Inventories	410,869	398,715	287,479	260,508	424,274	426,606	-	-	1,122,622	1,085,829
Trade receivables	519,743	494,956	325,389	344,965	901,132	935,891	1,074	1,350	1,747,338	1,777,162
Other current assets									1,967,207	2,078,704
Total consolidated assets									6,542,748	6,722,817
Liabilities-										
Non-current liabilities	114,701	109,335	36,270	54,029	189,563	221,308	-	-	340,534	384,672
Current liabilities	1,402,664	1,427,369	1,619,006	1,710,043	2,677,284	2,726,689	827	539	5,699,781	5,864,640
Equity									502,433	491,868
Total consolidated liabilities									6,542,748	6,722,817

25. Foreign currency transactions

The Logista Group's foreign currency transactions in 2017 and 2016, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2017	2016
Sales	13,879	13,098
Purchases	7,950	6,124
Services received	5,079	5,935

26. Balances and transactions with related parties

The balances at 30 September 2017 and 2016 with related companies were as follows:

2017

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	2,728	45,071	-
Altadis Canarias, S.A.	-	814	9,512	-
Imperial Brands Enterprise Finance Limited	1,790,846	-	-	-
Imperial Tobacco International Limited	-	186	22,318	-
Imperial Tobacco España, S.L.U.	-	-	-	1,039
Seita, S.A.S.	-	19,675	77,766	-
Imperial Tobacco Italia, Srl	-	363	23,896	-
Tabacalera, S.L. Central Overheads	-	794	3,249	-
Others	44	2,124	165	3,015
	1,790,850	26,684	181,977	4,054

2016

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	2,119	43,448	-
Altadis Canarias, S.A.	-	790	8,466	-
Imperial Brands Enterprise Finance Limited	2,001,448	-	-	-
Imperial Tobacco International Limited	-	864	19,993	-
Imperial Tobacco España, S.L.U.	6,057	-	-	-
Seita, S.A.S.	-	921	77,274	-
Imperial Tobacco Italia, Srl	-	421	26,964	-
Tabacalera, S.L. Central Overheads	-	659	3,363	-
Others	1	2,132	58	2,848
	2,007,506	7,906	179,566	2,848

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 Brands Group PLC companies.

The "Credit Facilities" with Imperial Brands Enterprise Finance Limited relate to cash among Logista Group and the Imperial Brands Group PLC (see Note 9).

The transactions with related companies in 2017 and 2016 were as follows:

2017

	Thousands of Euros			
	Operating Income	Finance Results (Note 23-e)	Purchases	Other Operating Expenses
Altadis, S.A.U.	9,907	-	365,050	-
Altadis Canarias, S.A	7,012	-	50,918	-
Tabacalera S.L. Central Overheads	5,153	-	138	-
Imperial Tobacco Italy, s.r.l.	3,667	-	90,751	-
Imperial Tobacco Polska, S.A.	2,950	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	1,121	-	-	-
Imperial Brands Enterprise Finance Limited	-	12,629	-	-
Imperial Tobacco International Limited	1,765	-	35,053	-
Imperial Tobacco Portugal SPPLC	767	-	-	-
Macotab, S.A.S.	-	-	-	377
SEITA, S.A.	28,139	-	372,798	188
Fontem International GmbH	247	-	1,956	-
Others	6,014	527	209	174
	66,742	13,156	916,873	739

2016

	Thousands of Euros			
	Operating Income	Finance Results (Note 23-e)	Purchases	Other Operating Expenses
Altadis, S.A.U.	7,951	-	383,916	5
Altadis Canarias, S.A	5,732	-	44,816	-
Tabacalera S.L. Central Overheads	4,715	-	125	-
Imperial Tobacco Italy, s.r.l.	2,623	-	73,826	-
Imperial Tobacco Polska, S.A.	3,024	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	1,359	-	-	-
Imperial Brands Enterprise Finance Limited	-	12,392	-	-
Imperial Tobacco International Limited	2,834	-	34,849	-
Imperial Tobacco Portugal SPPLC	1,067	-	-	-
Macotab, S.A.S.	-	-	-	376
SEITA, S.A.	7,826	-	418,714	122
Others	7,977	(25)	483	280
	45,108	12,367	956,730	783

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

The purchases are included as a result of acquiring tobacco and related products, as well as convenience products related to tobacco. Specifically, the transactions with Altadis, S.A.U., Imperial Tobacco Italy, Srl, Imperial Tobacco International, Ltd, 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 the markets where the Group operates.

27. Remuneration of directors

Remuneration of the Parent's directors

In 2017 the remuneration earned by the members of the Board of Directors as a result of their membership thereof or of any of its executive committees in all connections, including the remuneration received by the members of the Board who in turn are executives, amounted to EUR 4,120 thousand (2016: EUR 3,842 thousand).

In addition, the employer contributions to pension plans for the executive directors amounted to EUR 11 thousand in 2017 and 2016.

The life insurance premium corresponding to the Board of Directors amounted to 15 thousand in 2017 and 2016.

The Group has long-term incentive plans for executive directors which characteristics are detailed in Note 4.12.

Also, in 2017 and 2016 the Parent did not perform with the members of the Board of Directors any transactions not relating to its ordinary business operations or any transactions not carried out under customary conditions.

In 2017 the directors' third-party liability insurance amounted to EUR 46 thousand (2016: EUR 57 thousand).

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

Information regarding situations of conflict of interest involving the directors

Pursuant to Article 229 of the Spanish Capital Companies Law consolidated text, the directors have not reported any situation of direct or indirect conflict of interest that either they or persons related to them might have with the interests of the Group.

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

Set forth below are the disclosures -the detail of payments made to suppliers- required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	Days	
	2017	2016
Average period of payment suppliers	37	38
Ratio of transactions settled	37	38
Ratio of transactions not yet settled	43	42

	Thousand Euros	
	2017	2016
Total payments made	9,537,123	9,359,034
Total payments outstanding	680,684	539,616

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account the commercial transactions relating to the supply of goods or services for which payment has accrued since the date of entry into force of Law 31/2014, of 3 December.

29. Environmental matters

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

30. Events after the reporting period

No significant events have occurred subsequent since the end of the year ended 30 September 2017.

31. Explanation added for translation to English

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

Appendix I

Subsidiaries and jointly controlled entities of the Logista Group

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

2017

Company	Audit Firm	Location	% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Direct	Indirect		Assets	Liabilities	Equity	
						Profit/Loss			
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	974,054	4,170,771	3,873,470	297,301	177,201
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	-	51,632	48,175	3,457	920
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	-	3,906	3,234	672	8
Publicaciones Y Libros, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	3,614	3,199	2,498	701	(431)
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo	-	100	410	2,840	1,387	1,453	123
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	1,010	739	271	53
Distribuidora de Publicaciones del Sur, S.L. (a)	No audit	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	69	2,787	2,448	339	15
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	239	771	656	115	(65)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono P.O.CO.MA.CO, Parcela D-28. La Coruña	-	100	360	1,215	1,088	127	6
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. C/ Pedrapquera, 5. Valencia	-	50	445	3,126	2,424	702	(27)
Cyberpoint, S.L.U. (e)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	64	48	7	41	(16)
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Saturno, 11. Alicante	-	100	557	1,760	1,176	584	55
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	6,661	8,932	6,178	2,754	450
La Mancha 2000, S.A.U. (a)	BDO	Avda. de la Veguilla, 12-A. Cabanillas del Campo	-	100	1,352	2,354	620	1,734	107
Midsid - Sociedade Portuguesa de Distribuição, S.A. (a)	Deloitte	Expansao del area Ind. Do Pasill, Lote 1-A, Paliava. Alcochete (Portugal)	-	100	4,534	56,871	51,424	5,447	2,870
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,202	21,209	17,903	3,306	2,337
Logista Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	4,510	30,883	26,078	4,805	3,589
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via Valadier, 37 (Roma)	-	100	100	11,327	10,323	1,004	1,484
Logesta Lusa Lda (d)	No audit	Expansao del area Ind. Do Pasill, Lote 1-A, Paliava. Alcochete (Portugal)	-	100	42	66	18	(5)	(5)
Logesta Polska Sp. z o.o. (a)	No audit	Al.Jerolimskie, 96, Warszawa (Polonia)	-	100	261	2,564	2,185	379	99
Logesta Deutschland GmbH (a)	No audit	Unsoldstrabe,2 , 20538, München (Alemania)	-	100	100	408	17	391	(70)
Logesta France, s.a.r.l.(d)	No audit	25 Av. Du Bois de la Pie, Z.I. Paris Nord. 93290 Tremblay (Francia)	-	100	21,292	2,679	890	1,789	304
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, C/ Energía 25-29. Sant Andreu de la Barca	-	100	1,657	102,948	60,729	42,219	16,311
T2 Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entreríos, 3. Las Palmas de Gran Canaria	-	100	12,852	4,706	916	3,790	793
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca	-	100	12,852	37,682	24,830	12,852	3,950
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	3	681	507	174	91
Logista Italia, S.p.A. (a)	PwC	Via Valadier, 37. Roma (Italia)	-	100	605,629	1,709,223	1,610,769	98,454	63,696
Terzia, S.p.A. (b)	PwC	Via Valadier, 37. Roma (Italia)	-	68	762	45,383	44,171	1,212	(829)
Logista Transportes, Transitarior e Pharma, Lda. (d)	Deloitte	Expansao del area Ind. Do Pasill, Lote 1-A, Paliava. Alcochete (Portugal)	-	100	964	9,380	8,473	907	570
Compañía de Distribución Integral Logista Polska, Sp z o.o. (a)	Deloitte	Al. Jerolimskie 96, Warszawa. Polonia	-	100	1,383	2,219	842	1,377	271
Logista France, S.A.S. (a)	Deloitte/PwC	27 avenue des Murs du Parc, 94300 Vincennes - Francia	-	100	920,161	3,041,283	2,737,403	303,880	69,129
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes - Francia	-	100	22,128	102,176	28,959	73,217	(5,935)
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes - Francia	-	100	-	58,939	59,738	(799)	(6,002)
José Costa & Rodrigues L.D.A	PwC	Expansao del area Ind. Do Pasill, Lote 1-A, Paliava. Alcochete (Portugal)	-	100	12,152	7,416	1,471	5,945	792

(a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal,

(b) These companies engage in the purchase and sale of consumer products,

(c) The Dronas Group engages in integrated shipping and pharmaceutical logistics,

(d) These companies' object is the performance of transport activities,

(e) This company is specialised in software development for the management of points of sale for publications,

(f) Companies specialising in the distribution of products from pharmacies and related points of sale.

2016

Company	Audit Firm	Location	% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	969,596	4,340,263	4,076,729	263,534	110,309
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	-	46,063	43,526	2,537	1,057
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	-	2,583	1,919	664	(17)
Publicaciones y Libros, S.A. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	530	3,351	3,519	(168)	(566)
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarrón, 34 Interior- Vigo	-	100	271	2,524	1,194	1,330	101
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	924	676	248	29
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	5	2,824	2,500	324	43
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Gulpúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	-	525	545	(20)	(62)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono P.O.CO.MA.CO. Parcela D-28. La Conuía	-	100	251	1,207	1,086	121	31
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. C/ Pedrapiquera, 5. Valencia	-	50	-	3,403	2,673	730	(91)
Cyberpoint, S.L.U. (e)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	76	64	6	58	(9)
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Saturno, 11. Alicante	-	100	369	1,681	1,152	529	2
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	3,513	10,219	7,358	2,861	557
La Mancha 2000, S.A.U. (a)	BDO	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara	-	100	1,352	2,303	600	1,703	92
Midsid - Sociedade Portuguesa de Distribuicao, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	741	39,529	36,952	2,577	1,521
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,202	19,616	18,797	819	(359)
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	4,510	28,308	26,463	1,845	4,630
Logesta Italia, s.r.l.(d)	Collegio Sindacale	Via Valadier, 37 (Roma)	-	100	100	10,277	8,818	1,459	1,339
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	32	72	19	53	(8)
Logesta Polska Sp. z o.o. (a)	Deloitte	Al.Jerozolimskie, 133, Warszawa (Polonia)	-	100	128	833	554	279	42
Logesta Deutschland GmbH (a)	No audit	Plochystr 4, 80538- München-(Alemania)	-	100	100	480	20	460	(60)
Logesta France, s.a.r.l.(d)	No audit	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)	-	100	50	2,821	1,336	1,485	224
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, C/ Energia 25-29, Sant Andreu de la Barca	-	100	21,292	97,945	67,777	30,168	14,883
T2 Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerriós, 3, Las Palmas de Gran Canaria	-	100	1,657	6,435	2,309	4,126	1,129
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca	-	100	937	29,982	21,080	8,902	3,049
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	3	523	440	83	108
Logista Italia, S.p.A. (a)	Deloitte	Via Valadier, 37. Roma (Italia)	-	100	605,629	1,792,503	1,701,610	90,893	56,747
Terzia, S.p.A. (b)	Deloitte	Via Valadier, 37. Roma (Italia)	-	68	166	28,201	26,160	2,041	1,083
Logista Transportes, Transitorios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	240	10,752	10,415	337	184
Compañía de Distribución Integral Logista Polska, Sp z o.o. (a)	Deloitte	Al. Jerozolimskie 133, Warszawa. Polonia	-	100	527	1,656	554	1,102	581
Logista France, S.A.S. (a)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes - Francia	-	100	920,161	3,120,394	2,806,342	314,052	77,351
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes - Francia	-	100	22,128	125,610	26,456	99,154	5,134
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes - Francia	-	100	7,986	36,949	31,747	5,202	(3,494)

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(f) Companies specialising in the distribution of products from pharmacies and related points of sale.

Appendix II

Logista Group Associates

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

2017

Company	Audit Firm	Location	Activity	% of Ownership by the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
				Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Logista Libros, S,L,U (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Poligono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications	-	50	-	42,564	37,425	5,139	1,469

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

2016

Company	Audit Firm	Location	Activity	% of Ownership by the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
				Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Logista Libros, S,L,U (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Poligono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications	-	-	50	40,033	35,263	4,770	1,917

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

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

Consolidated Directors Report for
financial year
ended on September 30th 2017

Evolution of Grupo Logista in 2017 and position of the Group

The Group recorded during fiscal year 2017 a very positive evolution of results. Main highlights:

- Economic Sales increases 1.1%, recovering the fall in activity reflected in the 1.4% reduction in Revenues
- Adjusted Operating Profit and Profit from Operations reduce 6.8% and 10.8% respectively, burdened by the significant variation of non-recurring between fiscal years and despite the positive performance recorded by the underlying activity
- Net Income grows by 16.5%

Financial overview

Data in Million Euros	1 Oct. 2016 – 30 Sept. 2017	1 Oct. 2015 – 30 Sept. 2016	% Change
Revenues	9,493.2	9,632.0	(1.4)%
Economic Sales	1,049.7	1,038.1	1.1%
Adjusted Operating Profit	218.8	234.8	(6.8)%
Margin over Economic Sales	20.8%	22.6%	-180 b.p.
Profit from operations	158.0	177.1	(10.8)%
Net Income	153.9	132.1	16.5%

The evolution of the recurring activity of the Group during current fiscal year has been positive, confirming once more the solidity of Logista's business model.

The international and sectoral diversification as well as the constant emphasis in the development of added value services for its clients, have permitted to compensate for a great part of the variation of non-recurring results recorded in fiscal years 2017 and 2016 and that having affected all geographies, have had a special effect in the France and Italy segments.

Per activities, it is noteworthy the relevant growth obtained in the distribution of convenience products (in Iberia and Italy) in Pharma and in Transport.

The tobacco distribution recurring activity has registered certain growth as well, thanks to the added value services rendered to the sector and despite tobacco market is being marked by a certain volume weakness, having decreased by 3.7% (cigarettes and RYO) during the fiscal year compared to fiscal year 2016, a trend in contrast to the trend recorded in said fiscal year, when the yearly variation vs. fiscal year 2015 was +0.5%. All markets but Portugal recorded volume reductions.

On the other hand, and despite what has been usual historically in the tobacco sector, in fiscal year 2017 something unusual has occurred and this is that, having increased the Spanish, French and Italian

Governments the taxation on tobacco products throughout the fiscal year, only manufacturers in Spain decided to increase prices enough to compensate at least for the negative impact of these increases on their margins.

Although is not completely infrequent that during a fiscal year tobacco manufacturers decide not to completely pass through to the final consumer a tax increase in any of the geographies where the Group operates, it is quite uncommon that movements of such characteristics take place in more than one country simultaneously and that are not reverted in the same fiscal year.

The increase of revenues in Iberia segment mitigated the drop in revenues in the France and Italy segments and translated into a slight decline in the Group's Revenues.

Economic Sales grew in Iberia in all the activities allowing to more than offset the reduction recorded in France and Italy due to the impact of non-recurring.

Total operating costs grew by 3.4%, above the increase of Economic Sales. This increase was driven to a great extent by the record, during the first quarter of the year of a €6.8 million non-recurring cost in the Iberia segment. If said non-recurring cost is eliminated from the base, the operating costs growth compared to the preceding year was 2.6%, below the increase recorded by the Economic Sales derived from the recurring activity.

The control of costs and the constant efficiency improvement continue being one of the main axes of the operating model of the Group.

The **Adjusted EBIT** declined by 6.8% and the Adjusted EBIT margin over Economic Sales reached 20.8% compared to the 22.6% obtained in fiscal year 2016. This negative evolution is due to the impact that the variation of non-recurring had on the results' yearly comparison.

On the other hand, the persistent weakness shown by the France segment translated into an increase of restructuring costs recorded during the fiscal year (€9.0 million) compared to the preceding year (€6.6 million), contributing to Profit from operations' reduction of 10.8% in relation to the previous year.

The capital gain derived from the sale of one of the affiliates in the Italy segment in the first quarter caused an important rise of the financial results of the period, despite the stability in the reference rate of the European Central Bank.

The reduction of the Corporate Income Tax rate in all the geographies, as well as the fact that the capital gain in the sale of the mentioned affiliate pays a very reduced rate, translated into a tax rate substantially lower than in fiscal year 2016 (18.3% vs. 29.4%).

As a consequence of all the above mentioned, the **Net Income** growth reached 16.5%.

Revenues Evolution (By Segment and Activity)

Data in Million Euros	1 Oct. 2016 – 30 Sept. 2017	1 Oct. 2015 – 30 Sept. 2016	% Change
Iberia	2,695.3	2,639.9	2.1%
Tobacco & Related	2,322.6	2,270.9	2.3%
Transport Services	341.1	329.9	3.4%
Other Businesses ³	125.8	129.9	(3.1)%
Adjustments	(94.2)	(90.8)	(3.6)%
France	4,234.1	4,410.8	(4.0)%
Tobacco & Related	4,049.9	4,207.9	(3.8)%
Other Businesses	190.8	209.3	(8.8)%
Adjustments	(6.6)	(6.4)	(4.3)%
Italy	2,598.6	2,611.2	(0.5)%
Tobacco & Related	2,598.6	2,611.2	(0.5)%
Corporate & Others	(34.8)	(29.9)	(16.4)%
Total Revenues	9,493.2	9,632.0	(1.4)%

Economic Sales Evolution (By Segment and Activity)

Data in Million Euros	1 Oct. 2016 – 30 Sept. 2017	1 Oct. 2015 – 30 Sept. 2016	% Change
Iberia	533.4	506.7	5.3%
Tobacco & Related	265.6	248.4	7.0%
Transport Services	236.1	227.3	3.9%
Other Businesses	76.3	73.6	3.6%
Adjustments	(44.6)	(42.6)	(4.6)%
France	273.6	281.8	(2.9)%
Tobacco & Related	228.7	236.3	(3.2)%
Other Businesses	50.1	50.5	(0.9)%
Adjustments	(5.2)	(5.0)	(3.6)%
Italy	240.9	244.9	(1.6)%
Tobacco & Related	240.9	244.9	(1.6)%
Corporate & Others	1.8	4.7	(61.4)%
Total Economic Sales	1,049.7	1,038.1	1.1%

Adjusted EBIT Evolution (By Segment)

Data in Million Euros	1 Oct. 2016 – 30 Sept. 2017	1 Oct. 2015 – 30 Sept. 2016	% Change
Iberia	104.8	98.1	10.2%
France	67.8	73.3	(10.9)%
Italy	59.0	63.1	(22.0)%
Corporate & Others	(12.9)	(11.6)	(6.0)%
Total Adjusted EBIT (*)	218.8	222.9	(6.8)%

(*) See Alternative performance measures caption

Adjusted Operating Profit (or indistinctly Adjusted EBIT) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for the fiscal years 2017 and 2016 is shown:

Data in Million Euros	1 Oct. 2016 – 30 Sept. 2017	1 Oct. 2015 – 30 Sept. 2016
Adjusted Operating Profit	218.8	234.8
(-) Restructuring Costs	(9.0)	(6.6)
(-) Amortization of Assets Logista France	(52.2)	(52.2)
(-) Net Loss of Disposal and Impairment of Non-Current Assets	(0.3)	0.2
(-) Share of Results of Companies and Others	0.7	0.9
Profit from Operations	158.0	177.1

Business Review

1. IBERIA: Spain and Portugal

The Iberia segment's Revenues reached €2,695.3 million compared to €2,639.9 million in fiscal year 2016, recording a 2.1% growth. The Economic Sales of the segment reached €533.4 million, a 5.3% above the €506.7 million recorded in the preceding fiscal year.

Revenues in Tobacco and related products increased by 2.3% as a consequence of the increase in retail selling price of tobacco and the growth in revenues from the rest of the products, offsetting the drop suffered by volumes.

In contrast to the retail selling price stability of tobacco products in fiscal year 2016, during fiscal year 2017, tobacco manufacturers increase the price of the pack of cigarettes in 10 cents, after the rise in excise taxes taken by the Spanish Government.

After the mentioned retail selling price increase, the tobacco volumes distributed in Spain started to record a slightly decreasing trend, dropping by 2.6% in the fiscal year, contrasting with the year-on-year stability shown in the preceding year.

Distributed volumes of RYO and cigars maintained a similar trend to the previous quarters, respectively reaching a cumulated fall in the fiscal year of 2.8% and 4.4% vs. -1.6% and -2.9% in the yearly comparison of the preceding year.

The revenues from the distribution of convenience products recorded a significant growth, reaching a high double digit, even when comparing at constant perimeter.

The strong commercial push that is being undertaken in this business line and the enlargement of the portfolio through new product lines, permitted to increase the Group's penetration in the tobacconist channel, as well as developing the potential addressable market. Additionally, the revenues from the new activity derived from the distribution agreement to wholesalers, signed in the second quarter of the previous year with an important FMCG manufacturer, added to that growth.

This way, the good evolution of sales of other products, the net impact on inventories of price and excise tax increases, the good performance of the activity in Portugal, as well as the increase of value added services and transport, translated into 7.0% Economic Sales growth of Tobacco and related products in respect to the preceding year, despite the reduction of tobacco distributed volumes in Spain.

Revenues in Transport recorded, as a whole, a very solid performance, growing by 3.4%. The parcel and courier activities continued increasing Revenues and Economic Sales while full truck load activity remained practically stable, despite the tobacco volume drops suffered in all geographies and the reduction in some routes' distance due to the manufacturing relocations of a client. Transport Economic Sales increased by 3.9% up to €236.1 million.

The activity indicators in courier and parcel continue showing robustness, growing at double digit in the first one and a slight acceleration in the growth rate in the second, thanks to the constant investment by the Group in the maintenance and improvement of quality levels, as well as the incorporation of additional services to satisfy the new requirements from clients in sectors as demanding as, for example, the pharmaceutical sector.

Revenues in Other Businesses (which includes Pharma, lottery and publications distribution activities) reduced by 3.1% reaching €125.8 million, while Economic Sales went up by 3.6% to €76.3 million, as a consequence of the migration from a model based on sales to a model based on service rendering.

The Pharma activity has advanced in the fiscal year both in the achievement of new clients and in the enlargement of services offered to current clients.

After the incorporation of new clients during the year, Logista Pharma has signed in June a long term agreement with Sanofi (fifth world's biggest pharmaceutical company by revenue) under which it will manage the distribution to hospitals, pharmacies and wholesalers of its complete portfolio of products including healthcare and vaccines. The activity started on 1 October 2017 in general, although in the case of vaccines will start in 1 January 2018.

This agreement represents a step forward in the Group's strategy and will allow Logista Pharma to continue strengthening its leadership in the distribution to hospitals at the same time that will reinforce its position in the distribution to pharmacies in Spain.

Total operating expenses reported in the Iberia segment grew by 4.2%, below the increase of Economic Sales. However, as previously mentioned, non-recurring expenses up to €6.8 million were recorded in the period so the recurring operating expenses growth was only 2.6%, significantly lower than the growth experienced by the recurring activity.

Adjusted Operating Profit reached €104.8 million what represents a progress of 10.2% with respect to last year. This progress is even more significant if the impact of the non-recurring cost recorded in the period is not considered.

During the period the restructuring costs (€1.7 million) were well below the €5.1 million recorded in the previous year and the Profit from Operations reached €102.9 million versus €90.0 million recorded in fiscal year 2016.

2. France

Revenues from the France segment reduced by 4.0% to €4,234.1 million while Economic Sales declined less than that, a 2.9%, to reach €273.6 million.

Tobacco and related products Revenues fell by 3.8% to €4,049.9 million mainly due to the decline experienced by distributed tobacco volumes vs. last year in cigarettes (-2.7%) and in RYO (-5.4%).

The distributed tobacco volumes have recorded an irregular trend in the fiscal year, even showing cigarette growth in the second and third quarters to finally close recording a moderate drop, despite the definitive introduction of plain packaging in January 2017.

Whereas in last fiscal year the price of tobacco products did not suffered modifications, in this fiscal year, prices have experienced an uneven evolution, depending on the concrete product category.

During fiscal year 2017, the French Government has initiated several tax and sector regulation measures which had an impact in the manufacturers' take over tobacco revenues.

Thus, at the beginning of the second quarter, the French Government implemented a significant rise in the taxation of Roll-Your-Own tobacco, increased tobacconists' commission on the sale of tobacco products and announced the entry into force of a new levy charging the revenues of tobacco wholesalers (all measures from 1 January 2017). Additionally, in the third quarter, the Government increased the minimum collectable tax for cigarettes and RYO.

Although price movements derived from these measures were different among manufacturers, depending on the brands and the category of product, the net effect could be summed up in the following way: there were retail selling price increases in RYO and there were not increases or, even in some case, there were decreases in the cigarette prices.

Therefore, the price movements by manufacturers throughout the year did not offset the total impact of the previously mentioned measures and these movements of prices and taxes had a non-recurring negative impact over the results in the second, third and fourth quarters of this fiscal year.

Regarding tobacco distribution contracts in France, those with British American Tobacco and Japan Tobacco International were renewed for a period of 4 years in both cases.

The revenues from electronic transactions reduced significantly as a consequence of the decline that the prepaid telephony is recording some years ago as well as of the decline that is starting to affect the money cards linked to a higher control on cash movements. The revenues of convenience products recorded a weaker performance than in fiscal year 2016.

The Economic Sales from Tobacco and related products declined to a lower extent than Revenues vs. the previous year (-3.2% to €228.7 million) thanks to higher margins of Economic Sales over Revenues in electronic transactions, to the mix of unitary distribution fees as a result of the decline in tobacco volumes and to the increase in value added services rendered, allowing to offset the non-recurring negative impact of movements in prices and taxes of tobacco products and the drop of distributed volumes.

The Other Businesses activity (wholesale distribution of convenience products in non-tobacconist channels) has performed weakly since the end of last fiscal year, reason why a restructuring of the business was started. The activity continued not showing recovery signs at closing and recorded a fall of 8.8% in Revenues.

However, the improvement achieved in the mix of tariffs, after the significant piece of work on the portfolio of clients previously developed, enable to mitigate the impact of the Revenues reduction and to reach a similar Economic sales figure similar to that obtained in the preceding year (-0.9%).

The total operating costs of the segment stood absolutely stable so Adjusted Operating profit declined to €67.8 million, an 10.9% lower than in the preceding year.

The increase in restructuring expenses to €5.2 million led Profit from Operations to €10.4 million well below that obtained during fiscal year 2016 (€25.9 million). The main adjustment in the segment is the Amortization of Assets generated from the acquisition of Logista France that was €52.2 million in both periods.

3. Italy

The retail selling price increase of tobacco products carried out by the manufacturers in the third quarter of fiscal year 2016 as well as the significant increase in sales of convenience products during current fiscal year enabled more than offsetting the impact of the decline of tobacco volumes distributed and, thus, Revenues in the Italy segment reached €2,598.6 million a 0.5% below the €2,611.2 million obtained in the previous fiscal year.

Cigarette distributed volumes declined by 6.1% compared to the 0.1% fall recorded last year. The RYO category grew by 12.6% vs. the increase of 4.4% recorded in the preceding year.

This evolution is probably caused to a large extent by the entry into force on 1 October 2016 of the ban of sales of 10- cigarette packs. As the macroeconomic growth of the country is still very moderate, the existence of a cigarette pack with a lower price (as it contains half of the cigarettes) made its purchase affordable for a higher number of smokers.

With respect to tobacco taxation, in the second quarter of both current and previous fiscal years automatic updates of the minimum tax occurred and, in the current fiscal year, the Government implemented in addition a general increase of excise taxes (including ad-valorem and specific).

Although a small number of brands reduced their prices between 20 and 30 cents per pack in the first quarter, and some others increased their prices in the fourth quarter, the cigarette retail selling prices remained stable in general during current fiscal year. This evolution contrasts with the 20 cents per pack increase taken by tobacco manufacturers in the third quarter last year.

The net impact of said movements in taxes and prices, far away from offsetting the increased experienced by the tax incidence, translated into a negative effect in current fiscal year results, while in fiscal year 2016 this effect was positive. This different performance was due to the fact that, in the third quarter of fiscal year 2016, tobacco manufacturers offset, through price increases, the negative effect derived from the automatic update of the taxes that took place in the previous quarter.

In the fiscal year 2017, the contract with JTI was renewed in Italy for 5 years.

The commercial strategy followed by the segment, in line with the business model of the Group, continued providing satisfactory results that translated into robust growths (double digit) in Revenues and Economic Sales in the convenience products distribution activity. This fact as well as the increase in the new value added services rendered to manufacturers, which this year were specially linked to the NGP (Next Generation Products) category, resulted in higher recurring Economic Sales in the Italy segment.

However, the impact of the significant year-on-year variation of non-recurring results in the fiscal year 2017 has resulted in a drop of 1.6% in the reported Economic Sales (€240.9 million vs. €244.9 million in fiscal year 2016).

Total operating costs of the segment increased by 7.5% with respect to last year, what together with the already mentioned Economic sales reduction, led Adjusted Operating Profit to reach €59.0 million, a 22% less than in the preceding year.

The lower restructuring costs recorded in this fiscal year (€1.2 million compared to €3.2 million) slightly mitigated the Operating Profit drop that reached €57.8 million.

4. Corporate and others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit experienced a slight decrease to the previous year and reached -€12.9 million vs. -€12.2 million.

Financial result evolution

Financial results grew by 182.1% to reach €30.0 million vs. €10.6 million obtained in the previous year mainly due to the capital gain recorded after the sale, during the first quarter, of an affiliate in the Italy segment, the e-bank ITB, aimed to provide service to the tobacconist network in Italy.

The interest rate used as a reference in the treasury agreement with our majority shareholder (European Central Bank main rate), over which a 75 b.p. spread is obtained under that agreement, stood still during the fiscal year at 0.0%. In the same period of last year stood at 0.05% until 10 March and since then it was 0.0%.

The average cash position during the fiscal year was €1,659 million compared to €1,582 million in the preceding fiscal year.

Net income evolution

Earnings before Taxes stood at the same level as in the preceding year (+0.1%) reaching €188.0 million whereas Net Income increased by 16.5% to reach €153.9 million.

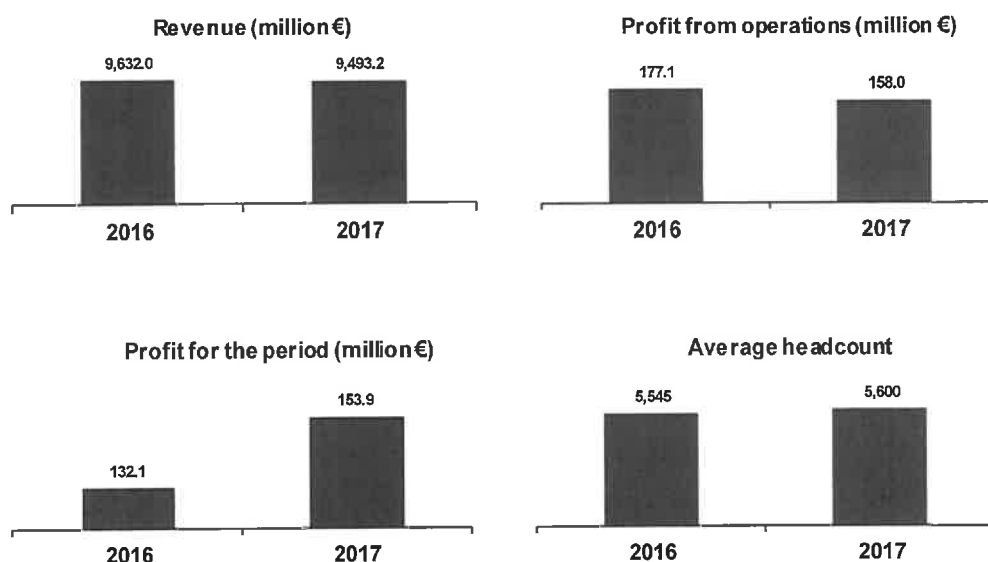
The reduction in the effective consolidated tax rate recorded in the period, that reached 18.3% vs. 29.4% in the same period last year, is explained in its vast majority by the fact that the capital gain derived from the sale of the affiliate in Italy pays a much reduced rate.

Moreover, it so happens that the nominal corporate tax rate in all geographies where the Group operates has been reduced or announced to be reduced, leading to a review in deferred taxes and its consequent impact in the tax-expense in the Profit and Loss account.

Earnings per Share were €1.16 vs. €1.00 in fiscal year 2016, with no variations in the number of shares of the share capital.

At fiscal year closing, the Company owned 391,432 own shares.

The graphs below show the evolution of main indicators for fiscal year 2017 (October 2016 – September 2017) compared to indicators for fiscal year 2016 (October 2015 – September 2016):



Cash Flow

The seasonality of the Group's business results in a negative cash flow during the first and second quarters of the fiscal year that is recovered during the second half, usually reaching its peak around year end.

The decline in the working capital variation was mainly driven by a non-working day closing day in this fiscal year and also, due to the fact that there was one sales day less in the month of September than in the previous fiscal year.

The significant variation in the corporate tax between fiscal years is driven by the modification in the calculation rules for advanced payments of this tax in Spain, now including the international dividends, as well as in the percentage for advanced payments.

The improvement in the financial results slightly mitigated the impact of the two variables previously mentioned, reaching the cash generation €74.3 million.

During the fiscal year 2017, a total of €126.1 million were paid as dividends.

Dividend Policy

The Board of Directors intends to propose to the General Shareholders Meeting distributing a final dividend corresponding to fiscal year 2017 of €99.3 million (€0.75 per share) that will be payable at the end of the second quarter of fiscal year 2018.

Additionally, the Board of Directors agreed past 27 July to distribute an interim cash dividend corresponding to fiscal year 2017 of €0.30 per share (slightly more than €39.7 million). The payment was effective on 30 August 2017.

Therefore, the total dividend corresponding to fiscal year 2017 will be c. €139 million (€1.05 per share), a 16.7% higher than the total dividend distributed in fiscal year 2016.

Outlook

Current trading environment suggest that in fiscal year 2018, Adjusted EBIT could record around double digit growth with respect to fiscal year 2017.

This foreseen growth is composed of a slightly positive underlying activity forecast during the fiscal year and the positive impact coming from the yearly variation of non-recurring results derived from tobacco price and tax movements, not managed by Logista.

Although the amount that these results may reach is uncertain, it is very unlike that the circumstances surrounding fiscal year 2017 that translated into a net negative impact are repeated, reason why it can be expected that said results provide additional growth to that of recurring activity.

It is estimated that restructuring costs can increase with respect to fiscal year 2017, depending on the evolution of the activity in France as is expected that if tobacco manufacturers implement the tobacco RSP rise requested by the French Government, tobacco distributed volumes may reduce significantly.

On the other hand, financial results will be lower than those of current fiscal year as no extraordinary result impact is forecasted in that line.

Finally, and in the absence of non-recurring impacts, a rise in the effective Corporate Income Tax of the Group is expected.

As a consequence of all the above, it can be expected that Net Profit stabilises around the figure reach in fiscal year 2017, after two consecutive years experiencing double-digit growth.

Payment periods to suppliers

As of September 30th, 2017, the Group registers accounts payables slightly above the maximum legal payment period (30 days) explained by suppliers agreements characteristics.

Risk exposure

The risk management to which is exposed the Logista Group in the performance of its activities is one of the basic cornerstones of its management in order to preserve the Group's value assets. With a focus on a global management of the Group's risk, the risk management system is structured and defined to reach the strategic and operational objectives. This risk control system is monitored and supervised by the Audit and Control Committee of the Board of Directors. This Audit and Control Committee delegates these competencies in the Internal Control Committee.

This Internal Control Committee is chaired by the Group's Corporate Financial Directorate and has the double objective of i) ensuring the continuous development and implementation of the Group's Internal Control System in all countries and businesses, as well as ii) promoting and coordinating the work for annually updating the Group's risk map and proposing approval to the competent bodies.

Although in this management report, without neglecting to mention the main operational risks, we will focus on the control and risk management systems of financial risks, for a broader description of control and risk management systems of the Group see point E of the Annual Report on Corporate Governance. Also, in point F, the Internal Control System for the Group's Financial Information is described.

The main risks and uncertainties facing the Group are related to possible regulatory changes in the industries in which it operates, the normal operational risks arising in the ordinary course of businesses, which are insured externally as far as possible. However, the Group complies with all the requirements to operate in the various markets and industries in which it carries on its business activities, and it has

established, through its organisational structure, the appropriate procedures and controls to enable it to identify, prevent and mitigate the risks of change in the regulatory framework and, similarly, to comply with the obligations imposed by the various legislations applicable to it.

Among the main risks, it is important to highlight:

- The Group's Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- European Directive 2014/40/UE (3 April 2014), whose transposition period by the respective UE members ended on May 20, 2016, establishes tighter rules for tobacco products, related among others, to labelling, ingredients, track and trace and cross-border trade could affect the sold volume.
- Liberalization in the main markets where the Group operates as tobacco derived products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.
- Main operational risks may occur are related to theft of tobacco in facilities and during transport associated to increases in insurance premiums, as well as to technological risks associated to the lack of (or faulty) availability of the Information System.

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

From a financial perspective, the Group's main financial assets are cash and cash equivalents, credits to Group's companies, trade and other receivables and investments. These items represent the Group's maximum exposure to credit risk. So, the main financial risks for the Group could be summarized in:

- Safeguarding of assets: the Group's Financial Directorate has as one of its main objectives to safeguard the Group's assets value in all business units and countries where it operates (Spain, France, Italy, Portugal and Poland, mainly) through the risk analysis and prevention and optimizing the management of the main claims. The financial department analyses the accidental risks which could affect the Logista Group, in its assets and also in its activity, and according to these risks, establishes the external insurance coverage contracts which considers necessary. Related to the high Goodwills, impairment tests are carried out according to International Accounting Standards in the Group.
- Credit risk: In general, the Group deposits its cash and cash equivalents in entities holding a high credit rating. The Group presents as well an exposure to credit or counterparty risk with Imperial Brands by virtue of the subscribed treasury agreements.
- The Group controls the insolvency and delinquency risks establishing credit limits and through the establishment of demanding conditions in respect to collection periods; that commercial risk is spread among a high number of clients with short collection periods, being the main Group's clients: newsstands and tobacconists. So, the credit risk exposure to third parties is not very significant, and the Group has, always if considered, Insurance Policies to mitigate the impact of possible defaults, although this default rate in all geographies in which the Group operates is very low.
- The Group estimates that at 30 September 2017 the level of exposure to credit risk of its financial assets is not significant.
- With regard to liquidity risk, the Group maintains enough cash and cash equivalents to face the payments derived from its usual activities. Also, if punctually financing is required, the Group has available credit lines.

- Respect the exposure to interest rate risk, considering the low level of the Group's financial debt, the Management of the Parent Company considers the impact from a potential increase in interest rates which could have in the consolidated annual accounts is not significant.
- Also, the level of exposure to the net equity and the P&L account in terms of future changes in the current exchange rates is not relevant; due to the volume of transactions of the Group in non-Euro currencies is not significant.

From a fiscal point of view, the risks facing the Group are:

- Changes in the payment cycle of the Group can obligate to seek out external financing sources to compliance its obligations: As any wholesale business, the payment cycles of the acquired products to manufacturers and the billing cycles of the points of sale do not match. Along with this, the payment by the Logista Group to Tax Authorities is made in a different cycle to the cycles corresponding to manufacturers and points of sale.
- On the other hand, the possibility of modifications in the tax regulation can impact directly in the results and cash management of the Group (excise duties, Corporate Income Tax, Personal Income Tax, etc).

During the fiscal year, the Group has suffered the materialization of normal operational risks, in the normal business evolution, and particularly, robberies of tobacco in facilities and during the transport, without incidence in the Group's results thanks to insurance of the goods. Also, the Group faced the responsibility for settlement tax litigations, resolved against the Group, without relevant incidence in the results due to they were provisioned.

Environment

The Group has a Quality and Environment Director Plan and a Quality, Environment and Energy Efficiency Policy setting the guidelines and good practices to optimize the use of resources and prevent pollution in processes, according to strict regulatory compliance and the Group's targets voluntarily subscribed.

Logista promotes the respect for the environment among staff, customers, suppliers and the society in general. Accordingly, the Quality, Environment and Energy Efficiency Policy is available both in the intranet as well as in the Group's corporate website so it is known by all employees and the rest of the Group's stakeholders.

This Policy includes the definition and control of environment and quality indicators, with periodical assessment of sustainability performance as well as evaluation and reduction of the carbon footprint.

The Logista Group calculates the Carbon Footprint of all its businesses and activities in the different countries where it operates (Spain, Portugal, France, Italy and Poland), including most of the Group's outsourced activities, like transport operations and franchises, and indirect activities, like those of acquiring goods and services, water consumption or waste generation.

The calculation is based on the Green House Gas Protocol norm and emission factors for reporting Green House Gases and in the UNE-EN-16258 norm to establish the calculation methodology. An independent audit entity verifies the calculation according to the UNE-EN ISO 14064 norm, ratifying the figures and assuring the process reliability and traceability.

The Group's transport network, Integra2, and its subsidiary Logesta freely report to their clients the Carbon Footprint of their deliveries and transport routes through the website and the invoices.

In the fiscal year 2014, the Logista Group started to use renewable-produced electricity. In the fiscal year 2017, over 90% of the Group's premises use renewable-produced electricity, including every Group's directly managed centres in Spain, France, Italy and Portugal.

The Group also compiles and analyses information about water consumption, waste and most relevant materials consumed by the Group, using this information to optimize the savings and to minimize the environmental impact related to its activity.

Regarding this matter, Nacex following the dynamic of the Logista Group, has renovated its "NACEX Box" which is now reusable and with greater anti-tampering security, complementing its range of recyclable packaging manufactured out of recycled, 100% ecological materials.

Additionally, Nacex has implemented a pick-up system for bags in the network of franchises and platforms, with the goal of ensuring the recycling of this kind of waste.

Moreover, Logista maintains its efforts reusing card-boxes reaching a significant reduction of waste and emissions in Spain, France and Italy.

The Group also establishes efficiency plans in the short, medium and long term by country both for its network of facilities and for its transport networks, even if outsourced, as well as defining individualized programs that include the follow-up and the systematic control of the attainment of the objectives.

For example, in its vocation for efficiency in the use of resources for transporting, it continuously works in optimizing routes and renewing transport fleets agreements introducing efficiency criteria.

Integra2 has increased its fleet of vehicles working with fuel less contaminated, alternatives of the derived petrol, and it is committed to continue the process of incorporating more ECO vehicles to his fleet. This result is achieved thanks to a constant work looking for the best technology for each case.

Nacex also maintains its commitment to promote a fleet of sustainable transport and with low emissions among its franchises, already having electric vehicles in its fleet. In this line, Nacex promotes the purchase of electric vehicles by its franchises with commercial agreements with car dealer ships.

In long-haul transport, Logista continuously incorporates the most efficient technology, prioritizing euro VI motorizations and Green Tech technology.

The Group periodically undertakes energy audits in every country and by each business. The audits, already made in Spain, France, Italy and Portugal have allowed for a complete identification of improvement opportunities, and will be the base for a better planning, execution, monitoring and control of the energy efficiency objectives.

Logista collaborates with organizations and stakeholders favouring improving quality and environment, and participates and promotes initiatives on environmental protection.

Thus, the Group participates in technical, divulging and/or environmental analysis reports, such as the Carbon Disclosure Project (CDP) or the FTSE4Good, sharing with transparency our vision on the climate change and its impact on the society and our business in particular.

In October 2016 CDP included the Logista Group among the 193 companies in its prestigious "A-List" group, after assessing the Group's management and commitment, having evaluated the actions developed as good practices that identify and set Logista as a world leading company in managing Climate Change.

The information Logista annually reports to CDP on the climate change management the Group runs at corporate level, its application on the businesses and the actions developed in each fiscal year may be consulted in its page Web.

Logista is founding member, together with other Spanish companies, of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth), to work together and to transfer to the society and the Public Administration its vision on the sustainable economic growth model compatible with the efficient use of natural resources.

Also, the Logista Group develops awareness initiatives, such disseminating actions the Logista Group carries out on this to grow the knowledge and commitment of employees, etc.

Significant events for the group after the reporting period

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

Research and development activities

The Group invested in I+D+i €4.2 million in fiscal year 2017. Most of these investments were made to adapt the systems to enlarge the portfolio of services offered to its clients, automate processes and develop own software.

Treasury shares

At 30 September 2017, the Group held in its balance sheet 391,432 own-shares, representing the 0.29% of the Company's share capital. Own-shares were acquired in execution of the Share Buyback Program.

The Board of Directors of 26 January 2016 agreed an extension of the Share Buyback Program of the Company (communicated to CNMV on January 30, 2015) and extended on September 29, 2015 to allocate them to 2014 General Plan in Performance Shares and to the Special Plan in Performance Shares. On September 27 2016, the Board of Directors agreed to extend until October 1, 2017 the Extended Share Buyback Program of the Company.

Use of derivative financial instruments

No Group company uses derivative financial instruments.

ANNEXE 1

ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED PUBLIC LIMITED COMPANIES

NOTICE: This document is a translation of a duly approved Spanish-language document, and is provided only for information purposes. In the event of any discrepancy between the text of this translation and the original Spanish-language document, the text of the original Spanish-language document shall prevail.

ISSUER IDENTIFICATION DETAILS

FISCAL YEAR-END DATE: 30/09/2017

C.I.F.: A87008579

COMPANY NAME:

Compañía De Distribución Integral Logista Holdings, S.A.

REGISTERED OFFICE:

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

**ANNUAL REPORT ON CORPORATE GOVERNANCE
OF LISTED PUBLIC LIMITED COMPANIES**

A OWNERSHIP STRUCTURE

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

Date of last amendment	Share Capital (€)	Number of shares	Number of voting rights
04/06/2014	26,550,000.00	132,750,000	132,750,000

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

Yes No

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

Name (person or company) of the Shareholder	Number of direct rights	Number of indirect voting rights	% on total voting rights
Imperial Brands PLC	0	79.650.001	60,00%
Capital Research and Management Company	0	4.145.094	3,12%
BlackRock, Inc	0	6.082.739	4,582
Allianz Global Investor GmbH	0	6.605.632	4,98%

Name (person or company) of the indirect owners of shareholding	Through: Name (person or company) of direct owner of shareholding	Number of voting rights
Imperial Brands PLC	Altadis S.A.U.	79.650.001
Capital Research and Management Company	Other Investor's Companies	4.145.094
BlackRock, Inc	BlackRock Investment Management (UK) Limited	4.772.363
BlackRock, Inc	Other Investor's Companies	1.310.376
Allianz Global Investor GmbH	Allianz Global Investors Fund	4.197.259
Allianz Global Investor GmbH	Other Investor's Companies	2.408.373

State the most significant movements in shareholding structure that have taken place over the financial year:

Name (person or company) of the shareholder	Transaction Date	Transaction Description
IMPERIAL BRANDS PLC	Sept 7, 2017	Fell below the 70% share capital threshold
ALLIANZ GLOBAL INVERSTORS GMBH	March 6, 2017	Fell below the 5% share capital threshold
CAPITAL RESEARCH AND MANAGEMENT COMPANY	August 3, 2017	Exceeds the 3% share capital threshold
BLACKROCK INC	Sept 7, 2017	Exceeds the 3% share capital threshold

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

Total % of voting rights held by the Board of Directors	0.02%
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Complete the following tables on the members of the Board of Directors who have rights over shares in the Company:

<u>Name (person or company) of the shareholder</u>	<u>Number of direct voting rights</u>	<u>Number of indirect voting rights</u>	<u>Number of equivalent shares</u>	<u>% on total voting rights</u>
Mr. Luis Egido Gálvez	198,870	0	198,870	0.15%
Mr. Rafael de Juan López	69,673	0	69,673	0.05%

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

N/A

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

<u>Related parties names or corporate names</u>
Imperial Brands PLC
Compañía de Distribución Integral Logista Holdings, S.A.

Kind of relationship: Contractual

Brief description:

ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT”, dated June 12th, 2014.

Imperial Brands PLC (formerly named Imperial Tobacco Group-ITG) undertakes to maintain and respect the freedom of management and decision making of the administrative and managerial bodies of the Company, and the neutrality principle in its commercial and services relations with third parties, also establishing the confidentiality of the business information of the Company and the separation of their respective IT systems.

The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.

<u>Name (person or company) related</u>
Imperial Brands Enterprise Finance Limited
Compañía de Distribución Integral Logista S.A.U.

Kind of relationship: Contractual

Brief description:

“INTRA GROUP LOAN FACILITY AGREEMENT”, dated June 12, 2014, and amended on December 1st, 2015.

Agreement on a reciprocal credit facility, for five years (with a yearly tacit renewal), with a maximum disposal limit of two thousand six hundred million euros.

According to this agreement, Compañía de Distribución Integral Logista SAU (100% subsidiary of the Company) will daily lend IBEFL its cash excess, at the base rate of the European Central Bank, plus a margin of 0.75%.

If Logista has to get into debt to meet the needs of its working capital, it can reciprocally borrow the amount from IBEFL.

A.6. State whether the company has been informed of any para-social agreements affecting the Company pursuant to the provisions of sections 530 and 531 of the Companies Act. If so, describe them briefly and list the shareholders bound by the agreement:

Yes No

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

Yes No

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

N/A

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

Yes No

Name (person or company)
Imperial Brands PLC
Remarks
Indirect participation of 60% through Altadis S.A.U.

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

At year-end closing:

Number of direct shares	Number of indirect shares (*)	Total % on share capital
391,432	0	0.29%

(*) Through: N/A

Detail the significant changes, in accordance with the provisions of Real Decreto 1362/2007, occurred during the financial year:

Explain the significant changes
No significant variation

A.9. Give details of the conditions and term of the current mandate given by the Annual General Meeting to the Board of Directors to issue, buy back or transfer own shares:

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

“To authorize the Board of Directors so that pursuant to the provisions established in Article 146 of the Act on Capital Companies (“Ley de Sociedades de Capital”), it may acquire, at all times, shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that:

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

Furthermore, to authorize the subsidiaries so that, notwithstanding the relevant authorisation of their General Meeting of Shareholders, pursuant to said Article 146, they may at all times acquire shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that the face value of the acquired shares, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

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

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

This authorization is granted for a five-year term, calculated as of the date of this General Meeting. To expressly allow, for the purposes of Article 146.1.a), last paragraph, of the Act on Capital Companies (“Ley de Sociedades de Capital”), that any share acquired by COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or its subsidiaries, further to this authorization, be used or attached, in whole or in part, for its transfer, amortization or delivery to directors of the Company, and managers and other employees of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. and its Subsidiaries Companies.”

A.9. bis Estimated floating capital

	%
Estimated floating capital	27.00

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

Yes No

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

Yes No

Describe, if applicable, the approved measures and the terms on which the restrictions will become ineffective.

N/A

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

Yes No

Specify, if applicable, the different classes of shares, and the rights and obligations attached to each class of shares.

N/A

B GENERAL MEETING OF SHAREHOLDERS

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

Yes No

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

Yes No

Describe how they differ from the rules established in the ACC.

N/A

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

Standards applicable to the amendments of the company's Articles of Association are those provided in the Articles 285 to 294 of the Act on Capital Companies (Royal Legislative Decree of July 2nd, 2010).

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

Attendance data					
Date GMS	% attendance in person	% attendance by proxy	% distance voting		Total
			Electronic Vote	Others	
16/03/2016	70.00%	20.91%	0.00%	0.00%	90.91%
21/03/2017	70.36%	18.45%	0.00%	0.00%	88.81%

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

Yes No

B.6 Section repealed.

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

The most relevant information on the Company's corporate governance is available in the section "Shareholders and Investors", sub-section "Corporate Governance" of the corporate website (<http://www.grupologista.com>). The information on the Annual General Meetings is also included in the same section, sub-sections "General Meeting" (for the current year) and "Previous General Meetings".

C. ADMINISTRATIVE STRUCTURE OF THE COMPANY

C.1 Board of Directors.

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

Maximum Number of Directors	15
Minimum Number of Directors	10

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

Name (person or company) of the Director	Representative	Type of Directorship	Position on the Board	Date of first appointment	Date of latest appointment	Election procedure
Mr. Gregorio Marañón y Bertrán de Lis	---	Independent	Chairman	13/05/2014	13/05/2014	GMS
Mr. Luis Egidio Gálvez	----	Executive	CEO	13/05/2014	13/05/2014	GMS
Mr. Rafael de Juan López	----	Executive	Secretary Director	13/05/2014	13/05/2014	GMS
Mr. Stéphane Lissner	----	Independent	Director	13/05/2014	13/05/2014	GMS
Mr. Eduardo Zaplana Hernández-Soro	----	Independent	Director	13/05/2014	13/05/2014	GMS
Ms. Cristina Garmendia Mendizábal	----	Independent	Director	04/06/2014	04/06/2014	GMS
Mr. John Matthew Downing	----	Proprietary	Director	13/05/2014	13/05/2014	GMS
Mr. David Ian Resnekov	----	Proprietary	Director	13/05/2014	13/05/2014	GMS
Mr. Richard Guy Hathaway	----	Proprietary	Director	24/03/2015	24/03/2015	By co-option
Mr. Richard Charles Hill	---	Proprietary	Director	25/04/2017	25/04/2017	By co-option

Total number of Directors	10
----------------------------------	----

Indicate the vacancies occurred on the Board of Directors during the period:

Name (person or company) of the Director	Type of Directorship	Date of cessation
Mr. Nicholas James Keveth	Proprietary	25/04/2017

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

EXECUTIVE DIRECTORS

Name (person or company) of the Director	Position in the organisational chart of the Company
Mr. Luis Egidio Gálvez	CEO
Mr. Rafael de Juan López	General Secretary

Total number of executive Directors	2
% on total Board members	20.00%

EXTERNAL PROPRIETARY DIRECTORS

Name (person or company) of the Director	Name (person or company) of the significant shareholder being represented or who has proposed the appointment
Mr. John Matthew Downing	Imperial Brands PLC
Mr. Richard Guy Hathaway	Imperial Brands PLC
Mr. Richard Charles Hill	Imperial Brands PLC
Mr. David Ian Resnekov	Imperial Brands PLC

Total number of external proprietary Directors	4
% on total Board members	40.00%

EXTERNAL INDEPENDENT DIRECTORS

Name (person or company) of the Director: Mr. Gregorio Marañón y Bertrán de Lis

Profile:

Mr. Marañón is the Chairman of Compañía de Distribución Integral Logista Holdings S.A. He also currently serves as Chairman of Roche Pharma; Chairman of Universal Music (Vivendi); Director of Prisa and member of its Executive and Nominations and Remunerations Committees, and member of the Advisory Board of Aguirre Newman. He is Chairman of the Board and the Executive Committee of the Teatro Real opera house, and Vice-Chairman of the Ortega-Marañón Foundation. Mr. Marañón is also a member of the Madrid Bar Association. Before taking on these roles, Mr. Marañón was a member of the Board of Argentaria and BBVA (1994-2004), Director of Altadis (2004 – 4 June 2014), Director of VISCOFAN (2002- April 2014), General Manager at Banco Urquijo (1976-1983) and President of BANIF (1983-1984). Mr. Marañón received his Bachelor of Laws in 1964 from Complutense University of Madrid, and his Master in Advanced Management in 1979 from IESE Business School.

Name (person or company) of the Director:

Ms. Cristina Garmendia Mendizábal

Profile:

She obtained a PhD in Biological Sciences, specialising in Genetics, and became a Doctor of Molecular Biology at the Dr Margarita Salas laboratory, Severo Ochoa Centre for Molecular Biology. She completed her studies with an MBA from the IESE Business School of the University of Navarra. She was Minister of Science and Innovation in the Spanish Government during the whole of its IXth Legislature.

Since leaving the Government, she resumed her responsibilities at the companies she herself founded, YSIOS and GENETRIX. She is also chairperson at the Spanish/German biotechnology company SYGNIS and at the Spanish/North American company Satlantis Microsats.

She is chairperson at the *Fundación COTEC* and a member of various advisory boards, such as the Women for Africa Foundation (MXA); she is also member of university councils and sits on the

Boards of several companies, including Gas Natural Fenosa, Corporación Financiera Alba and Grupo Logista. At the present moment, she is an advisor at the European Union, as member of the High Level Group (HLG), that has presented the recommendations for the design of the IX Framework Program of the EU (2021-2026).

Her work and entrepreneurial vision have been recognized on several occasions with awards for research and innovation in business.

Name (person or company) of the Director:

Eduardo Zaplana Hernández-Soro

Profile:

Mr. Zaplana is a Director of Compañía de Distribución Integral Logista Holdings S.A. He is currently an Advisor to the President of Telefónica, S.A. Prior to his current roles, Mr. Zaplana held various positions in the Spanish Public Administration, including Mayor of Benidorm (Alicante) (1991-1994), Deputy in the Parliament of Valencia (1991-2002),); Spokesman for the Grupo Parlamentario Popular in the Parliament of Valencia (1991-1995), President of the Generalitat of Valencia (1995-2002), First Deputy Chairman of the Committee of the Regions and Speaker of the Delegation of the Committee of the Regions at the Convention on the Future of Europe (2002-2003), Minister of Labor and Social Affairs of the Spanish government (2002-2004), Senator for the Comunidad Valenciana (2002-2004), Government Spokesman Minister (2003-2004); Deputy for Valencia and Spokesman for the Grupo Parlamentario (2004-2008), as President and founder of Decuria Consulting, S.L. (2008-2014) in strategic consulting. Mr. Zaplana received his Bachelor of Laws in 1991 from the University of Alicante. He worked as a lawyer to 1991.

Name (person or company) of the Director:

Mr. Stéphane Lissner

Profile:

Mr. Lissner is a Director of Compañía de Distribución Integral Logista Holdings S.A. Currently, he is the General Manager of the Opéra Nationale in Paris. Prior to his present role, he served as Musical Director of the Wiener Fest Wochen in Vienna, General Manager and Artistic Director of the Teatro alla Scala in Milan; Director of the Festival International d'Aix-en-Provence (1998-2006); Co-Director of the Théâtre des Bouffes du Nord with Peter Brook in Paris (1998-2005), Director of the Teatro de la Opera de Madrid (1995-1996); General Director of the Orchestre de Paris (1993-1995), Administrator (1983-1988) and General Manager (1988) of the Théâtre du Châtelet in Paris, Professor of Management of Cultural Institutions at the Université Paris-Dauphine (1984), Director of the Printemps du Théâtre (1984), Director of the Centre Dramatique National in Nice (1978-1983); and Secretary General of the Théâtre d'Aubervillier (1977-1978). Mr. Lissner received his baccalauréat in 1971. He was appointed an Officier de l'Ordre National du Mérite, an Ufficiale Ordine al Merito of the Italian Republic, and a Chevalier de la Légion d'Honneur.

Total number of independent directors	4
Total % of Board members	40.00%

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

Where applicable, include a reasoned statement from the board with the reasons why it deems that such director can perform his/her duties as an independent director.

N/A

OTHER EXTERNAL DIRECTORS

Other external Directors will be identified and the reasons why they will not be considered proprietary or independent will be listed, as well as their ties, whether with the company, its officers or its shareholders:

N/A

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

N/A

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

	Number of female directors				% of total director of each type			
	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2017	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014
Executive	0	0	0	0	0%	0%	0%	0,00%
Proprietary	0	0	0	0	0%	0%	0%	0,00%
Independent	1	1	1	1	10%	10%	10%	10,00%
Other external	0	0	0	0	0%	0%	0%	0,00%
Total:	1	1	1	1	10%	10%	10%	10,00%

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

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

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

Explanation of the measures

N/A

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

Explanation of the measures

N/A

C.1.6 bis Explain the conclusions of the Appointment and Remuneration Committee regarding verification of compliance with the Director selection policy. And, namely, explain how this policy is fostering the goal by 2020 to have the number of female board members represent at least 30% of the total number of members of the Board of Directors.

N/A

C.1.7 Explain the form of representation in the Board, of shareholders with significant stakes:

Imperial Brands PLC is represented at the Board by four directors (Messrs. Downing, Hathaway, Keveth (until 25/04/17), Hill (since 25/04/2017) and Resnekov), in accordance with the Framework Agreement of June 12, 2014, which rules the relations between Imperial Brands PLC and the Company.

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

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

N/A

State whether formal petitions for presence on the Board have been received from shareholders whose stake is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been satisfied:

Yes No

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

N/A

C.1.10 Indicate, in the event that there are any, the powers that have been delegated to the Chief Executive Officer(s):

Name of the CEO (person or company):

Mr. Luis Egido Gálvez

Brief description:

He has been delegated all the faculties of the Board of Directors that can be delegated according to the Law and the Bylaws, excluding the faculties that, according to Article 38 of the Bylaws of the Company, require the approval of the resolution by, at least, the 70% of the members of the Board of Directors

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

Name (person or company) of the director	Company name of the entity of the Group	Position	¿Does he/she have executive functions?
Mr. Luis Egido Gálvez	Compañía De Distribución Integral Logista S.A.U.	Chairman	YES
Mr. Luis Egido Gálvez	Logista Italia S.p.A.	Chairman	YES
Mr. Rafael De Juan López	Compañía De Distribución Integral De Publicaciones Logista, S.A.U	Secretary Director	YES
Mr. Rafael De Juan López	Compañía De Distribución Integral Logista Publicaciones, S.L.U.	Chairman	NO
Mr. Rafael De Juan López	Dronas 2002 S.L.U.	Director	NO
Mr. Rafael De Juan López	Logista Pharma, S.A.	Director	NO
Mr. Rafael De Juan López	Logista Italia Spa	Director	NO

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

Name of the director (person or company)	Name of listed company	Position
Mr. Gregorio Marañón Y Bertrán De Lis	Promotora De Informaciones, S.A.	Director
Ms. Cristina Garmendía Mendizábal	Corporación Financiera Alba	Director
Ms. Cristina Garmendía Mendizábal	Gas Natural Sdg, S.A.	Director
Ms. Cristina Garmendía Mendizábal	Sygnis AG	Chairwoman

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

Yes No

Explanation of the Rules	
Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Logista Group. Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by law, of a maximum of nine boards of directors of listed companies other than the Logista Group.	

C.1.14 Section repealed

C.1.15 State the overall remuneration for the Board of Directors:

Remuneration of the Board of Directors (thousand euros)	4,117
Amount of overall remuneration corresponding to the rights accumulated by current Directors with respect to pensions (thousand euros)	2,523
Amount of overall remuneration corresponding to the rights accumulated by former Directors with respect to pensions (thousand euros)	0

C.1.16 Identify the senior managers who are not also Directors and indicate the total remuneration accrued in their favour during the fiscal year:

Name (person or company)	Position
Mr. Pascal Ageron	General Manager - Tobacco, Telecoms & Strator France
Mr. Jan Babst	Corporate Director Of Information Services
Mr. Laurent Bendavid	President General Manager – Logista France
Mr. Antonio García Villanueva	Corporate Resources Director
Mr. Miguel Gómez Prado	CEO - Logista Pharma
Mr. Juan José Guajardo-Fajardo Villada	Corporate Human Resources Director
Ms. Gloria Martín Gimeno	Investors Relations And Strategic Analysis Corporate Director
Mr. Luca Palermo	CEO Logista Italia
Mr. Francisco Pastrana Pérez	General Manager - Tobacco And Convenience Iberia
Mr. Pablo Rebollo Pericot	General Manager Nacex and Integra2
Mr. Manuel Suarez Noriega	Corporate Finance Director
Ms. Laura Templado Martín	Corporate Internal Audit Director

Total remuneration senior managers (thousand euros)	5,175
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C.1.17 Identify, if appropriate, the members of the Board who also sit on the Board of Directors of companies of significant shareholders and/or in entities of their group:

Name of the director (person or company)	Name (person or company) of the significant shareholder	Position
Mr. John Matthew Downing	Attendfriend Limited	Director
	British Tobacco Company Limited	Director
	Imperial Brands Enterprise Finance Limited	Director
	Imperial Brands Finance PLC	Company Secretary
	Imperial Brands PLC	Company Secretary
	Imperial Tobacco Altadis Limited	Director
	Imperial Tobacco Capital Assets (1)	Director
	Imperial Tobacco Capital Assets (2)	Director
	Imperial Tobacco Capital Assets (3)	Director
	Imperial Tobacco Capital Assets (4)	Director
	Imperial Tobacco Group Limited	Director
	Imperial Tobacco Holdings (1) Limited	Director
	Imperial Tobacco Holdings (2007) Limited	Director
	Imperial Tobacco Holdings Limited	Director
	Imperial Tobacco Initiatives	Director
	Imperial Tobacco Ireland Unlimited Company	Director
	Imperial Tobacco Lacroix Limited	Director
	Imperial Tobacco Limited	Director
	Imperial Tobacco Management (1) Limited	Director
	Imperial Tobacco Management (2) Limited	Director
	Imperial Tobacco Overseas (Polska) Limited	Director
	Imperial Tobacco Overseas Holdings (1) Limited	Director
	Imperial Tobacco Overseas Holdings (2) Limited	Director
	Imperial Tobacco Overseas Holdings (3) Limited	Director
	Imperial Tobacco Overseas Holdings Limited	Director
	Imperial Tobacco Overseas Limited	Director
	Imperial Tobacco South Africa SA	Vice President
	ITG Brands Limited	Director
	Joseph & Henry Wilson Limited	Director
	Newglade International Unlimited Company	Director
	Park Lane Tobacco Company Limited	Director
	Rizla Uk Limited	Director
Sinclair Collis Limited	Company Secretary	

Mr. Richard Guy Hathaway	Reemtsma Kyrgyzstan Ojse	Chairman
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Mr. David Ian Resnekov	Attendfriend Limited	Director
	British Tobacco Company Limited	Director
	Congar International Uk Limited	Director
	Imperial Brands Finance PLC	Director
	Imperial Brands Enterprise Finance Limited	Director

Imperial Tobacco Altadis Limited	Director
Imperial Tobacco Capital Assets (1)	Director
Imperial Tobacco Capital Assets (2)	Director
Imperial Tobacco Capital Assets (3)	Director
Imperial Tobacco Capital Assets (4)	Director
Imperial Tobacco Group Limited	Director
Imperial Tobacco Holdings (1) Limited	Director
Imperial Tobacco Holdings (2007) Limited	Director
Imperial Tobacco Holdings Limited	Director
Imperial Tobacco Initiatives	Director
Imperial Tobacco Lacroix Limited	Director
Imperial Tobacco Limited	Director
Imperial Tobacco Management (1) Limited	Director
Imperial Tobacco Management (2) Limited	Director
Imperial Tobacco Overseas (Polska) Limited	Director
Imperial Tobacco Overseas Holdings (1) Limited	Director
Imperial Tobacco Overseas Holdings (2) Limited	Director
Imperial Tobacco Overseas Holdings (3) Limited	Director
Imperial Tobacco Overseas Holdings Limited	Director
Imperial Tobacco Overseas Limited	Director
Imperial Tobacco Pension Trustees Limited	Director
Imperial Tobacco South Africa S.A.	Chairman
ITG Brands Limited	Director
Joseph & Henry Wilson Limited	Director
La Flor De Copan Uk Limited	Director
Newglade International Unlimited Company	Director
Park Lane Tobacco Company Limited	Director
Rizla Uk Limited	Director
Tabacalera De Garcia Uk Limited	Director

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

Name (person or company) of the related Board member	Name (person or company) of the related significant shareholder	Description of the relationship
Mr. John Matthew Downing	Imperial Brands PLC	Company Secretary and Legal Director of Imperial Brands Group
Mr. Richard Guy Hathaway	Imperial Brands PLC	Director Of Finance Strategic Initiatives
Mr. Richard Charles Hill	Imperial Brands PLC	Group HR and Transformation Director
Mr. David Ian Resnekov	Imperial Brands PLC	Financial Controller of Imperial Brands Group

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

Yes No

Description of the amendments

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

Directors' Appointments

The appointment, ratification, re-election and removal of Directors correspond to the General Meeting, without prejudice to the authority of the Board of Directors to make appointments by co-option.

If during the term for which a Director was elected that Director ceases to be a Director of the Company, for any reason, the Board of Directors, to fill the vacancy, may appoint a Director by co-option.

The co-option will be governed by the provisions of law, with the Director appointed by the Board not necessarily being required to be a shareholder of the Company.

The appointment of Directors by the system of co-option in accordance with the provisions of law will be effective until the first following General Meeting, which must ratify the appointment or designate the person that thereafter is to fill the position, or until the holding of the next following General Meeting, if the vacancy occurs after the call of the General Meeting, and before it is held.

Proposal of appointment or re-election of Directors corresponds to the Appointments and Remuneration Committee, in the case of independent Directors, and to the Board of Directors itself, in other cases.

A proposal of appointment, re-election or removal of any non-independent Director in addition must be preceded by a report of the Appointments and Remuneration Committee.

The proposal in any event must attach a justifying report of the Board of Directors, which evaluates the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board of Directors itself.

The provisions of this section also are applicable to individuals who are appointed as representatives of a Director that is a legal person. The proposal of the individual representative must be submitted to a report of the Appointments and Remuneration Committee.

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

- Evaluating the skills, knowledge and experience required on the Board. For these purposes, it will define the functions and skills required of candidates that are to fill each vacancy and will evaluate the time and dedication necessary for them to be able to effectively perform their duties.
- Making proposals to the Board of Directors of independent Directors to be appointed by co-option or for submission to decision by the General Shareholders Meeting, and proposals for re-election or removal of those Directors by the Meeting.

- Inform about the appointment, ratification, reappointment and removal of non-independent Directors, as well as the appointment and removal of the Managing Director/s and of the members of the Executive Committee, and the permanent delegation of its relevant faculties to them.

Eligibility. Incompatibilities.

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

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

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Company.

Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by Law, of a maximum of nine boards of directors of listed companies other than the Company (Article 23 of the Board of Directors' Regulations)

Re-election of Directors

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

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

Term of office

Directors shall occupy their post during the period established in the By-Laws, which shall in no case exceed four years, and may be re-elected.

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

Board Assessment

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

Debates and Voting

In accordance with the provisions in article 27 of the Board Regulations, Directors concerned with any appointment, re-election or removal proposals will not intervene in debates and voting on those matters.

C.1.20 Explain to what degree the annual evaluation of the Board has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of the changes

On October 25th, 2016, the Company's Board of Directors approved an Action Plan for the Improvement of its functioning and that of its Audit and Control and Appointments and Remuneration Committees, as well as for the performance of the Chairman, the CEO and the Secretary of the Board, to be developed in the next fiscal year, consisting of:

1. Making succession plans for key people on the Board and in the Company.
2. Focusing the debates and the content of meetings on more important subjects, providing more information about the matters dealt with in the Committee meetings, and encouraging and motivating the participation of the Board Members.
3. Reviewing the information supplied to the Board, reducing the proportion of recurrent subjects, and increasing that for reflection and analysis. Including, together with documentation and information, an executive summary of the important matters to be dealt with.
4. Strengthening the Board's attention to long-term and strategic matters.
5. Seeking opportunities for interaction between non-executive Board Members and the Chairman.
6. Strengthening the Board's intervention in, and debating of, matters related to the Group's risks.

C.1.20 bis Describe the assessment process and the assessed areas conducted by the Board of Directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the Board of Directors and Chief Executive of the company, and the performance and contribution of each board member.

The Board of Directors of 26 September 2017 has evaluated:

1. The Board of Directors of the Company, in the followings aspects:
 - General questions
 - Meetings of the Board
 - Functions and Responsibilities
 - Composition
2. The Audit and Control Committee, in the following aspects:
 - Composition
 - General questions
 - Meetings
 - Functions and Responsibilities
3. The Appointment and Remuneration Committee, in the following aspects:
 - Composition
 - General questions
 - Meetings
 - Functions and Responsibilities

- 4.- The Chairman of the Board (Performance)
- 5.- The CEO (Performance)
- 6.- The Secretary of the Board (Performance)

C.1.20 *ter* Break down, where appropriate, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

N/A

C.1.21 Indicate the circumstances under which directors must resign:

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

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

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

C.1.22 Section repealed

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

Yes No

Where applicable, explain the differences.

Description of the differences

According to the provisions of Article 38 of the Company By-Laws, the Board shall approve resolutions by absolute majority of the Directors attending the meeting, either in person or via proxy. Notwithstanding the above, the adoption of any resolutions related to any of the matters set out below will require the positive vote of at least 70% of the Directors, as rounded up in case that the application of that percentage does not result in a whole number of Directors, that form part of the Board of Directors and will not be delegated:

- a) any increase or reduction in the share capital of the Company in accordance with article 7 of these By-laws, or the issuance by the Company of any bonds or securities pursuant to Title III of these By-laws.

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

For the purposes of counting the majority of members of the Board of Directors for the adoption of the abovementioned resolutions, the members of the Board that may be under a conflict of interest and that shall abstain from voting, shall be discounted from the total number of members of the Board on which shall be calculated said majority.

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

Yes No

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

Yes No

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

Yes No

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

Yes No

C.1.28. State whether the Articles of Association or the Board of Directors' Regulations establish specific rules for proxy voting in the Board of Directors, the way this must be done and, namely, the maximum number of proxies a director may hold and whether it has established any limit regarding the classes that may be delegated beyond the limits stipulated by legislation. If so, briefly describe such rules.

The Directors must attend Board meetings and, when they cannot do so in person, they shall arrange for their representation and vote to be granted in favour of another Board member, including appropriate instructions. The delegation may be made by letter, fax, telegram, e-mail, or by any other valid means acknowledged in writing. Non-executive Directors may do so only to another non-executive Director.

C.1.29. State the number of meetings that the Board of Directors has held during the financial year. Likewise, state, where appropriate, the times that the Board has met without its Chairman being present. Proxies granted with specific instructions shall be counted as attendance.

Number of Board meetings	14
Number of Board meetings without the presence of the Chairman	0

If the Chairman is an executive director, state the number of meetings held without an executive director being present or represented and chaired by the Lead Independent Director

Number of Board meetings	0
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State the number of meetings held over the financial year by the different Committees of the Board:

Committee	Number of meetings
AUDIT AND CONTROL COMMITTEE	7
APPOINTMENTS AND REMUNERATION COMMITTEE	8

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

Number of meetings attended by all Directors	14
% of attendance over the total votes during the present year	100.00%

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

Yes No

Identify, if pertinent, the person or persons certifying the individual and consolidated annual accounts of the company for their formulation by the Board:

N/A

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

In accordance with the provisions of Article 46.4 of the Board of Directors' Regulations, the Audit and Control Committee shall supervise that Board of Directors can present the Company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should give a clear account to shareholders of their scope and content.

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

Yes X No

C.1.34 Section repealed.

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

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

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

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

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

- Establish appropriate relationships with external auditors or audit firms to gather information on those matters which may threaten his/her independence for examination by the Committee, and any other matters relative to the development of Account auditing, and when appropriate, authorise services other than those prohibited under the conditions provided in the relevant regulations regarding the independence of auditors, as well as any other communications schedules in Account auditing legislation and Auditing technical regulations. In any event, it must receive from the external auditors or audit firms a written declaration on an annual basis of their independence against the Logista Group or entities directly or indirectly related thereto, as well as detailed information on an individual basis about additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the Laws on auditing accounts. The Committee shall ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

In this regard, the Committee shall ensure that the remuneration of the external auditor does not compromise its quality or independence.

- On an annual basis, prior to the audit report, issue a report containing an opinion on the independence of the auditors and on whether the independence of auditors and audit firms has been compromised. This report, which shall be published in the Logista Group website well in advance of the Annual General Meeting, in any event must cover a detailed evaluation of the provision of each and every additional service referred to in the preceding section, taken individually and as a whole, other than the legal audit, as regards independence of the auditors and regulations governing account audit activities.

In accordance with the Company's Policy of Information and Communications with Shareholders, Securities Markets and Public Opinion, meetings with analysts, investors and communication media should be planned in advance, so that, in no case, any information which could place them in a privileged or advantageous situation is delivered to them.

C.1.36 Indicate whether during the fiscal year the Company has changed its external auditors. Identify, where appropriate, the external auditor and the outgoing one:

Yes No

Outgoing Auditor	External Auditor
None	PricewaterhouseCoopers Auditores, S.L.

In the case of disagreements with the ongoing auditor, explain what they were about:

Yes No

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

Yes No

	Company	Group	Total
Amount of work other than auditing (thousand euros)	56	295	351
Amount of work other than that of auditing / total amount charged by the audit firm (in %)	72%	18%	21%

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

Yes No

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

	Company	Group
Number of consecutive years	4	18
	Company	Group
Number of years audited by the present audit firm / Number of years that the company has been audited (%)	100.00%	100.00%

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

Yes No

Details of the procedure
In order to be assisted in performing their duties, External Directors may request that the Company hires the services of legal advisors, accountants, financial experts or others.
This commission must necessarily refer to specific problems of a certain significance and complexity which arise in the performance of their duties.

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

- a) it is not necessary for the correct performance of the duties commissioned to the External Directors;
- b) its cost is not reasonable in relation to the significance of the problem and the Company's assets and revenues,
- c) the technical assistance which is sought may be adequately provided by the Company's own experts and technical professionals; or
- d) there is a risk for preserving the confidentiality of the information that must be given to the expert. (Article 29 of the Board Regulations).

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

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

Yes No

Details of the procedure

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

Except for justified cause, the call will include an agenda for the meeting and will be accompanied by a summary of all the necessary information relevant to deliberation and adoption of resolutions regarding the matters to be considered.

Absent just cause, the call will include the agenda for the meeting and will attach a summary of the necessary information relevant to deliberation and adoption of resolutions regarding the matters to be considered, clearly indicating on which points Directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

In the event that, for reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda, their inclusion will require the express prior consent, duly minuted, of the majority of Directors present.

Furthermore, Article 33 of the Board Regulations sets as one of the obligations of the Director, to gather information and prepare suitably for Board meetings as well as meetings of the delegated bodies or Committees he is a member of.

Finally, and according to Article 28 of the Board Regulations, Directors have the duty to demand and the right to receive from the Company such appropriate and necessary information allowing them to fulfil their obligations. This right to information is extensible to all the companies of the Company Group, whether these are national or foreign.

With the aim of not disturbing the ordinary management of the Company, the exercise of information duties will be channelled through the Chairman, Managing Director or the

Secretary of the Board of Directors, who will assist the Director's request providing the information directly, facilitating contacts with the relevant department in the organisation or deciding on the measures so that examination tasks may be performed in situ.

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

Yes No

Explain the rules
<p>In accordance with article 26.2 of the Board Regulations, Directors must place their post at the disposal of the Board of Directors and formally resign as a Director, if the Board of Directors considers it appropriate based on the following counts:</p> <ul style="list-style-type: none">a) When they are removed from the executive posts to which their appointment as Directors was associated;b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringing their duties and obligations as Directors;d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage to its credibility and reputation. In particular, Directors should inform the Board of any criminal charges brought against them and the progress of any subsequent trial;e) The moment a Director is indicted or tried for any of the offences stated in Company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the Annual Corporate Governance Report.f) When, having been appointed on the proposal of a significant shareholder, the latter notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.

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

Yes No

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

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

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

Number of beneficiaries: 14

Type of beneficiaries:

Certain senior managers

Description of the resolution:

- Compensation in the case of wrongful dismissal (11 agreements). The compensation to pay, depending on the case, will be of 3 months' salary, or of 1 or 2 years of fix and variable salary, unless the legal compensation is higher.
- Compensation for post-contractual non-compete clause (14 agreements): 6 or 12 months of fix and variable salary.
- Compensation in case of change of control (4 agreements): minimum of 24 months of fix and variable salary.

All these agreements, excepting one, were executed before the admission to listing of the Company's shares.

Indicate whether these contracts have to be notified and/or approved by the company's bodies or those of its group:

	Board of Directors	Shareholders General Meeting
Decision-making body approving the provisions	Yes	No

Is information about these clauses provided to the General Meeting of Shareholders?	Yes	No
	--	X

C.2 Committees of the Board of Directors

C.2.1 Give details of all the committees of the Board of Directors, their members and the proportion of proprietary and independent directors in such committees:

AUDIT AND CONTROL COMMITTEE

Name	Office	Category
Ms. Cristina Garmendia Mendizábal	Chairwoman	Independent
Mr. Gregorio Marañón y Bertrán de Lis	Member	Independent
Mr. Eduardo Zaplana Hernández-Soro	Member	Independent
Mr. David Ian Resnekov	Member	Proprietary

% of proprietary directors	25.00%
% of independent director	75.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Audit and Control Committee has the following competencies:

- a) Inform the General Meeting of Shareholders on the matters raised by the shareholders relating to the matters under its competence.
- b) Refer to the Board of Directors the proposals for selection, appointment, re-election and replacement of the outside auditor, as well as the conditions of the engagement thereof
- c) Supervising internal audit services and activities and, in particular, the Annual Working Plan.
- d) Supervising the effectiveness of the internal control systems of the Company, associated with relevant Company's risks.
- e) Establish and supervise a procedure which allows employees from the Company group to confidentially report irregularities.
- f) Establish appropriate relationships with external auditors or audit firms to gather information on those matters which may put their independence at risk.
- g) On an annual basis, prior to the audit report, issue a report on the independence of the auditors.
- h) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- i) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- j) Ensure that the external auditor has a yearly meeting with the Board plenary to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- k) Inform the Board of Directors of the Company's Annual Financial Statements, as well as the regulated financial information.
- l) Monitor compliance with legal requirements and proper application of generally accepted accounting principles, and report on proposals for modification of accounting criteria and principles suggested by Management, and on and off balance sheet risks
- m) Supervise the preparation, integrity and fair presentation of the regulated financial information.
- n) Report to the Board of Directors transactions in special-purpose entities, or in entities domiciled in territories treated as tax havens, and any conflicts of interest
- o) Examining and previously reporting on the Corporate Governance Annual Report, on the compliance with the Internal Code of Conduct on Securities Market and with the Board Regulations and, in general, with the Company's governance rules, as well as putting forward proposals for its improvement.
- p) Supervise compliance with the Corporate Social Responsibility policy of the Company.
- q) Drafting an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee.
- r) Any other reporting and proposal functions it is tasked with by the Board of Directors.
- s) Any other competence or function under the law, the By-Laws or the Regulations of the Board.

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

Main activities of the Audit and Control Committee during financial year 2016-2017:

- Information and Supervision of the Periodic Financial Information that the Company submits to the National Stock Market Commission (“CNMV”) and to the markets.
- Information and submission to the Board of Directors of the Individual and Consolidated Annual Accounts of the Fiscal Year.
- Information and submission to the Board for its approval of the Internal Control General Policy of the Logista Group, and approval of the Procedure that develops the Policy.
- Approval and quarterly monitoring of the Internal Audit Plan 2016-2017
- Preparation of the General Conditions document, selection process and awarding proposal of the joint audit services.
- Appointment proposal of two external Auditors Companies, to act as joint auditors, and determination of their fees.
- Monitoring of the Accounts Audit Plan for the fiscal year, together with the two Auditors appointed.
- Examination of the new model of Accounts Audit Report, of the complementary Report for the Audit and Control Committee, and identification and determination of the “Key Audit Matters”.
- Update of the Risk Map of the Group
- Monitoring of the internal control activities of the Group
- Annual Report on the Corporate Social Responsibility
- Corporate Governance Annual Report for the fiscal year 2015-2016
- Report on the Auditor independence
- Report on the functions and activities of the Committee during fiscal year 2015-2016
- Self-evaluation of its functions and composition.

Identify the Director sitting on the Audit Committee who has been appointed on the basis of knowledge and experience of accounting or auditing, or both and state the number of years the Chair has been in office.

Name of the Director with experience	Mr. David Ian Resnekov
Number of years of the Chairman in such position	3

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office	Category
Mr. Gregorio Marañón y Bertrán de Lis	Chairman	Independent
Mr. Eduardo Zaplana Hernández-Soro	Member	Independent
Mr. Stéphane Lissner	Member	Independent
Mr. John Matthew Downing	Member	Proprietary

% of proprietary directors	25.00%
% of independent directors	75.00%
% of other external directors	0.00%

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

The Appointments and Remuneration Committee has the following competencies:

- a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.
- b) Establishing a goal for under-represented sex on the Board of Directors, and developing guidance on how to achieve that goal.
- c) Propose the appointment, ratification, reappointment and removal of Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the CEO, and the permanent delegation of the Board relevant faculties.
- d) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.
- e) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.
- f) Reporting appointments and removals of Senior Managers which the first executive proposes to the Board of Directors.
- g) Proposing the following to the Board of Directors for its approval:
 - i) Compensation policies for Directors and senior management.
 - ii) The Annual Report on Remuneration of Directors
 - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.
 - iv) The basic conditions in the contracts of Senior Managers.
- h) Ensuring compliance with the Company's remuneration policies.
- i) Ensuring that selection processes are not implicitly biased in such a way that selecting female Directors is prevented.
- j) Verifying compliance with the Directors' selection policy.
- k) Any other competence or duty conferred by the Law, the By-Laws or Board Regulations.

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

The Appointments and Remuneration Committee adopts decisions or make recommendations by voting majority of the total number of its members.

Main activities of the Appointments and Remuneration Committee during financial year 2016-2017:

- Submission to the Board of the Annual Report on Directors' Remuneration 2015-2016.
- Report-Proposal of the Group's Senior Management Remuneration Policy
- Evaluation of the degree of achievement of the Group's Business Objectives 2015-2016 (Bonus) and Setting of the Group's Business Objectives 2016-2017.
- Proposal to the Board of Directors of the amendment by the General Shareholders' Meeting to the Policy on the Remuneration of Executive Directors (the clauses relating to the 'clawback' of Variable Remuneration and to the holding of Company shares, received in application of the long-term Incentive Plans (Recommendations 59 and 62 of the Good Governance Code of the Listed Companies).

- Proposal of amendment of the Variable Remuneration Corporate Policy, as well as the Regulations of the General and Special Plans in Performance Shares 2014, in order to include the Recommendations 59 and 62 of the Good Governance Code of Listed Companies for the Senior Management - not for the Executive Directors - (clauses relating to the 'clawback' of Variable Remuneration and to the holding of Company shares, received in application of the Shares Plans of the Company).
- Evaluation of the Variable Remuneration of the Executive Directors (2015-2016).
- Setting of the Fixed Remuneration of Executive Directors for 2017.
- Report- Proposal of approval of new General and Special Plans 2017, to be applied in three Consolidation Periods, of three years each, starting the first of them on October 1st, 2017.
- Reports on the cessation and appointment of Senior Managers.
- Report on the ratification by the General Shareholders' Meeting of the appointment by co-option of Mr. Richard Charles Hill as a Proprietary Director, replacing Mr. Nicholas James Keveth.
- Proposal to the Board of settlement of the Second Consolidation Period of Compañía de Distribución Integral Logista, SAU 2011 Plan (General Plan and Special Plan).
- Proposal of Beneficiaries and Number of Shares to be granted, in the General and Special Plans for Performance Shares 2014 of the Company/Third Consolidation Period (2016-2019)
- Report on the Group's Talent Management Plan/Succession Plan.
- Self-assessment of its composition and functions, and proposal to the Board of improvement actions.
- Proposal to the Board of self-assessment of the Board performance, as well as that of its President, CEO and Secretary Director.
- Report on the functions and activities of the Appointments and Remuneration Committee 2015-2016.

C.2.2 Complete the following table with information on the number of female directors sitting on Board Committees over the last four years:

	Number of female Directors							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
Audit And Control Committee	1	25.00%	1	25.00%	1	25.00%	0	0.00%
Appointments and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed

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

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

On January 26, 2016, the Board of Directors modified certain articles of the Board Regulations, and approved a Consolidated Text, to adapt them to the Recommendations of the new Good Governance Code, and to the modification of the Capital Companies Act, by the Law of Account Audit of 20 June 2015, especially with regard to the Audit and Control Committee competencies.

Reports about the activities carried out by the Audit and Control Committee and by the Appointments and Remuneration Committee during the present financial year have been prepared and are available in the corporate web page of the Company (www.grupologista.com).

C.2.6. Section repealed

D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure, if any, to approve related- party and intra-group transactions:

Procedure to approve related-party transactions.

Article 39 of the Board of Directors' Regulations state that the Board formally reserves the knowledge and authorization, previous report of the Audit and Control Committee, of Related-Party Transactions (Transactions of the Company with Directors or with significant shareholders), except for such matters that are legally within the competence of the General Meeting. To authorise, if appropriate, the Related-Party Transactions, the Board of Directors first and foremost shall serve the interests of the Company, evaluating the transaction from the standpoint of equitable treatment of shareholders and market conditions.

No authorisation of the Board of Directors shall be required in connection with Related-Party Transactions that simultaneously satisfy the following three conditions:

- (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to many customers;
- (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; (iii) that the amount thereof does not exceed one per cent of the Company's annual revenues.

In the case of ordinary transactions that are not subject to the Board's authorisation, a general authorisation of the line of operations and its execution conditions shall be sufficient.

The Directors affected by the related-party transaction, either personally, or to the shareholders whom they represent in the Board, in addition to not intervene in the decision or exercise or delegate their right to vote, they will be absent from the meeting room, while the Board deliberates and votes on the related-party transaction.

The Company shall report on the mentioned related-party transaction mentioned, in the Annual Report on Corporate Governance, in the regulated financial information, and in the notes to the Financial Statements, to the extent by Law.

Likewise, Article 34 of the Board Regulations states that Directors shall report to the Board of Directors any situations involving a direct or indirect conflict, either personally or through persons linked to him, with the interests of the Company or the companies in its Group.

Also, the Framework Agreement dated 12 June 2014, signed between the Company and Imperial Brands (formerly named Imperial Tobacco Group) establishes that all Related-Party Transactions and, in general, any transaction that may pose a conflict of interest affecting the Group and the IB Group should be arranged under market conditions that, according to the circumstances, would have been reasonably stipulated by two independent operators and in accordance with the principle of equal treatment of shareholders and the principle of neutrality established in that same Framework Agreement.

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

Name of the significant shareholder (person or company)	Name of the company or entity of its group (person or company)	Nature of the relationship	Type of Transaction	Amount (thousand euros)
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Purchase of finished or not finished goods	358,429
Altadis S.A.U.	Logista-Dis, S.A.	Commercial	Purchase of finished or not finished goods	6,621
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Sales of services	6,644
Imperial Brands PLC	Compañía de Distribución Integral Logista, S.A.U.	Contractual	Collected interests	12,629

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

N/A

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

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

N/A

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

613,187 (thousand euros).

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

Article 34 of the Board Regulations rules the conflict of interest that may affect Directors and their related parties, requiring both of them to (i) report to the Board of Directors any situation involving a direct or indirect conflict, either personally or through persons linked to them, with the Company's interests and (ii) refrain from intervening in the agreements or decisions relating to the transaction to which the conflict of interests refers.

Related persons are the persons described in article 231 of the Spanish Companies Act ("Ley de Sociedades de Capital").

The Director should report any stakes held directly or indirectly and personally or by related persons in the share capital of a company with the same, similar or complementary activity that constitutes the corporate purpose, as well as positions or functions they discharge, as well as performing either personally or for another party similar or complementary activities, to the ones which constitutes the social purpose of the Company.

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

Furthermore, Section 7 of the Company Internal Regulations for Conduct establishes the conduct regulations regarding conflicts of interest. In particular, the Company Internal Regulations for Conduct establishes the general principles of independence, abstention and confidentiality that persons subject to it must observe. These Regulations also state the procedure that persons subject to them must follow to previously report any situation of conflict of interest. These transactions must be previously authorised by the Company Board of Directors, in case of conflict of interests affecting Directors and Senior Management of the Company, and by the Company CEO, in all other cases.

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

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

Yes No

Identify the subsidiaries listed in Spain:

N/A

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Detail the scope of the company's Risk Management System, including risks of a tax-related nature.

The Corporate Risk Management System of the Company and its subsidiaries (hereafter, the Group) is set forth in the Risks Management General Policy of September, 29th 2015.

The Risk Management General Policy, applicable both to each of the businesses and countries, and Corporate areas of the Group, sets up the guidelines to integrate all the information originating from the different functions and operations of the Group, with the purpose of providing to the Business Managers/Corporate Directorates, a holistic view, improving the Management capacity to manage risks in an efficient way and minimizing the impact in case the risks materialize.

The Policy defines different risk categories, in which, as part of the financial risks category, tax risks related to the current Group activity are included.

Therefore, Fiscal strategy described at Fiscal Policy of Logista Group, states, as part of its key objectives the following:

- To minimize the fiscal risks associated with the Company's operations and strategic decisions, thus ensuring that the tax payable is appropriate and in proportion to the operations of the Businesses, the material and human resources, and the business risks of the Group.
- To define the fiscal risks and determine the Objectives and Activities of internal Control, and to set up systems for reporting fiscal compliance and for keeping documentary records, integrated with the Group's General Framework of Internal Control.

On the other hand, the Group's Internal Control General Policy of April 25th, 2017, establishes a general action framework for controlling and management of internal and external risks of any nature, which may affect the Logista Group, in accordance with the risk map in place at all times in the achievement of its objectives (Corporate Governance risks, market risks, financial risks, regulatory risks, business risks, operational risks, penal risks and reputational risks, among others).

E.2 Identify the bodies responsible for preparing and implementing the Risk Management System, including tax-related risks.

The Board of Directors

Among its non-delegable faculties, the Board of Directors has to approve the general policies and strategies of the Group and among them, the control and risk management policy, including tax risks, as well as the supervision of the internal reporting and control systems, in particular those for financial information.

Risk Management General Policy, will identify, at least, (i) different risk categories, financial and not financial (operational, technological, legal, social, environmental, political and reputational, among others), for which the Group is exposed to, including those financial or economical, contingent liabilities and other off-balance risks; (ii) the determination of the risk level that the Group considers acceptable; (iii) predefined measures to mitigate impact of the risks identified, in case they would materialise, and (iv) information and internal control systems that will be used to control and manage those risks, including contingent liabilities or off-balance risks.

The Audit and Control Committee

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

- i) Supervise the effectiveness of the internal control systems of the Logista Group, in particular those for financial information and the risk systems of Logista Group, reviewing the appointment and replacement of managers, and discuss with the auditors or audit firms the weaknesses of the internal control system, detected during the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding time frame for follow-up activities.

In particular, the Company shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

- ii) Supervise compliance with corporate governance rules and the Internal Codes of Conduct of the Company. In particular, among others, the Audit and Control Committee shall evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.

The Internal Control Committee

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

The Committee has the following basic functions, among others: To promote and coordinate the work for annually updating the Group's risk map and propose approval to the competent bodies.

In relation with the Penal Risks Prevention Model, the Internal Control Committee also acts as Unit of Control and Follow-Up of Penal Risks, in relation with the direct penal responsibility of the legal persons, established by Spanish laws.

The Logista Group Internal Control Committee is comprised of the Corporate Financial Director, who acts as Chairman, the Internal Control Director, the Human Resources Director, a representative of the Legal Department, the Corporate Resources Director as well as the General Managers of the three most important businesses of the Group, acting the Internal Control Director as Secretary.

The Corporate Internal Audit Directorate

The Corporate Internal Audit Directorate has the responsibility of:

- Preparing the Group's Procedures and criteria for the Risks Management, and controlling those approved by the Board of Directors for the Risks Management.
- Coordinating the development and regular updating the Group's Risks Map and regularly reporting to the Audit and Control Committee, who will report to the Board, on the appearance of new Risks, the evolution of the identified Risks the extent of implementation of the approved action plans and the general manner of functioning of the Group's System of Risks Management.

Process Owner:

Employees responsible for the design, process development and detection of risks and opportunities that may affect them. They are also responsible for the implementation of policies and internal control standards. They should identify the Risks of the Process and the Internal Control Activities that have to be performed in order to avoid or reduce those Risks, as well as monitoring them and supporting and reporting to the Internal Control Coordinators.

Internal Control Coordinators:

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

Control Owner:

Employees responsible for carrying out the Control Activities defined in the Internal Control System and for informing the Process Owner, and informing, through reporting, of their results. When appropriate, they must suggest improvements and corrective measures to improve the design and effectiveness of the Control Activities, and they must at all times follow the directives in relation to the Risks Management.

E.3 Indicate the main risks, including tax-related risks, which may prevent the company from achieving its targets.

In the Group Risk Map, the following risks were identified, among others, which are classified according its category as stated at the Risks Management Policy of Logista Group:

Environment Risks:

- Group's business could be adversely affected by the deterioration of the economic conditions, habits and consumption behaviour in the markets in which it operates (mainly Spain, Portugal, France and Italy).
- Tobacco illicit trade and contraband impacting in distributed tobacco volumes.
- Any future significant tax increase (eg: VAT and excise duties) or Tobacco price increase could have a negative effect on the business, as it would generate a drop of consumption and increase of illicit trade, and worsen the prospects, the financial situation and the operating result.

Business Risks

- Liberalization in the main markets where the Group operates as tobacco products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.
- The growth strategy of the Group relies, among others, on other business activities different from tobacco. As long as the Group won't be able to achieve a sustainable increase of that business, the Group results would be affected.

Operational risks:

- Theft of tobacco in facilities and during transport associated to increases in insurance premiums
- Technological risks associated to the lack of (or faulty) availability of the Information Systems.

Regulatory Compliance Risks:

- The Logista Group Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- European Directive 2014/40/UE (3 April 2014) established tighter rules for tobacco products, related among others, to labelling, ingredients, track and trace and cross-border

trade, that could affect the tobacco volume sold. The Directive has already been incorporated by all member States where the Group operates.

- Penal risk (commission of crimes within the company and/or in the benefit of the Group) or Risks associated to litigation in which the Groups is currently part, either as plaintiff or defendant

Financial Risks/ Tax Risks:

- Changes in the group's payment cycles could oblige it to seek external sources of finance to fulfil its obligations: As with any other wholesale business, the payment cycles for products acquired from manufacturers and the collection cycles of the points of sale do not coincide. For this reason alone, the Logista Group's payment to the tax is made in a cycle which is different from that of the manufacturers and the points of sale.
- Furthermore, possible changes in the fiscal regulations could impact directly on the Group's results and cash management (excise duties, Corporation Tax, income tax, etc.)
- Risk of impairment of fair value of assets, in relation with goodwill high carrying value
- Commercial credit risk derived from the usual business operations with customers

E.4 Identify if the company has a risk tolerance level, including tax-related risks.

Group risk management methodology considers different risk tolerances when rating gross risks, both with quantitative and qualitative criteria, and assessing the risk impact which allocate each risk in the general scheme of risk appetite. Criteria used by the Group are: regulatory compliance, financial-economic impact, safety and security, impact in processes and reputational impact.

These criteria, together with ratings over likelihood rating and evaluation of risks tolerance for each risks Identified, are added to the tools used for risk management (risk register and risk map), on order to report and monitor and adequate follow-up of key risks by the corresponding bodies.

The Risk Management Policy defines the position of the Company regarding the risk typology, including tax-related risks.

The Group has a low tolerance towards the risk in what concerns to policies, and regulations compliance, including tax regulation.

In general, due to the particularity of the business and the markets where the Group is present, it has a moderate risk profile, therefore risk management has to be done considering the following:

- a) Achieve those strategic objectives defined by the Group, keeping a level of uncertainty under control.
- b) Maximize the level of guarantee to shareholders.
- c) Protect Group financial results and reputation.
- d) Take care of stakeholders interests (shareholders, customers and manufacturers).

Highlight that in the strategic Group framework, providing high added value logistical services with a high level of technological innovation, the Group presents higher level of tolerance considering the technological risks that could occur.

E.5 Identify any risks, including tax-related risks, which have occurred during the year.

Regular operational risks, in the ordinary course of business, particularly theft of tobacco in the company facilities and during transport, not affecting the Group's financial results as the merchandise was properly insured.

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

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including tax-related risks.

The methodology to elaborate the Group Corporate Risk Map, based on the individual risk evaluation of the businesses, forces the evaluators to assess the risks before and after considering the mitigating controls and action plans established for each case, ending up with the residual risk classification (Severe, High, Moderate or Low). The Risk Management Procedure of Logista Group states that, for each residual risk, it will be decided which action has to be done (Eliminate, Transfer, Mitigate or Assume), and also an action plan will be defined.

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

Environment Risks

- The markets most affected by the poor economic evolution, and the Businesses most exposed to its customer credit risks, are reinforcing the procedures for the recovery of debts to shorten the terms, as well as reducing and tightly monitoring the credit limits, fostering the obtaining of bank guarantees.
- Regarding tobacco illicit trade and contraband, the Group is developing projects together with the manufacturers to establish more demanding track and trace protocols, in compliance with the European Directive of April, 3rd 2014.

Business Risks

- The effect of liberalizing the main markets in which the Group operates as tobacco-related products authorized distributor where currently there is a State monopoly for retail sale would, if there is a negative effect, mitigated by the business diversification strategy followed by the Group, and the capacity to sell tobacco through the large capillary point of sales network.

Operational risks

- Theft of tobacco in the company facilities and during transport.
The following measures reduce both the impact and the likelihood to a tolerable risk level:
 - ✓ Follow up of maximum security standards.
 - ✓ Insurance Policies.
- Technological risks
 - ✓ Existence of Contingency Plans periodically tested, analyzed and monitored by the Information Security Committee.
 - ✓ The Group Data Centers are permanently monitored

Regulatory Compliance risks

- The Corporate Legal Department centralizes the supervision of the most relevant contracts within the Group, to ensure that they strictly comply with Laws, and that the third parties contracting with the Group's companies comply with the principles of the Code of Conduct.
- In relation to Compliance and Crime Prevention within the Group's companies, the following controls currently exist:
 - ✓ The Group has a Code of Conduct and periodically asks employees to undertake training on its contents.

- ✓ The Group has an Internal Channel for denounces and irregularities, with policies and procedures available to every employee in the Group intranet.
- ✓ The Corporate Legal Department centralizes supervision of most significant contracts all across the Group.
- ✓ There are Policies for investment, expenditures, indebtedness and other transactions, that require a strict approval and communication workflow.
- ✓ Also, adapted to the specific characteristics of the penal codes in Spain and Italy, in addition to the Group Code of Conduct, there are specific Manuals for crime prevention in these countries according to which, in case of lack of compliance with the controls and general behavior principles stated in them and in the Group Code of Conduct, disciplinary actions could be taken against the offenders.
- ✓ There are specific procedures for preventing money laundering in the Group, being the Regulatory Compliance Directorate the body in charge addressed as the valid interlocutor with the SEPBLAC.

Financial/Tax risks

- Regarding the goodwill high carrying value, the Group undertakes impairment test according to the IFRS.
- Credit risks mitigated by periodical credit controls, hiring insurance policies in order to mitigate possible impacts of unpaid credits in the commercial transactions.

F INTERNAL SYSTEMS FOR THE CONTROL AND MANAGEMENT OF RISKS RELATED TO THE PROCESS OF FINANCIAL REPORTING (ICOFR)

Describe the mechanisms which constitute the systems for the control and management of risks related to the process of financial reporting (ICOFR) in your entity.

F.1 The entity's control environment

Report on the following as a minimum, indicating their main characteristics:

F.1.1 The bodies or departments responsible for (i) the existence and maintenance of adequate and effective ICOFR; (ii) the implementation of those ICOFR and (iii) the supervision of those ICOFR.

The Logista Group system for the internal control of financial reporting (hereinafter 'ICOFR') forms part of the Logista Group internal control system and consists of the whole of the processes carried out by the Board of Directors, the Audit & Control Committee, Senior Management and the Logista Group personnel to provide reasonable security in relation to the reliability of the financial information which is released to the markets.

Article 5 of the Rules of the Board of Directors of 26th January, 2016, entitled 'The general role of supervision', lays down as one of its responsibilities the definition and approval of the Logista Group policies and general strategies, and in particular, the policy on control and management of risks, including fiscal risks, and the supervision of the internal systems of reporting and control, and in particular, of financial reporting. It also defines the ultimate responsibility of the Board of Directors over the financial information which, as a quoted company, the Company has to publish regularly, and its responsibility to formulate the annual accounts and present them to the General Shareholders' Meeting.

In accordance with the provisions of Article 43 of the By-Laws, the Logista Group has an Audit & Control Committee, whose main responsibilities in relation to the ICOFR, according to Article 17.2 of the Board's Rules, are the following:

- To supervise the effectiveness of the internal control systems of Logista Group, in particular those for financial information and the risk systems of Logista Group, reviewing the appointment and replacement of managers, and discuss with the auditors or audit firms the weaknesses of the internal control system, detected during the audit, without compromising its independence. To this end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding time frame for follow-up activities.
- In particular, the Company shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.
- To report to the Board of Directors on the Logista Group Annual Accounts, and on the financial information which the Logista Group has to publish regularly and send to the bodies which regulate or supervise the markets.
- To keep watch over the compliance of the legal requirements and the correct application of the generally accepted accounting principles, and to report on the Management's proposals for the modification of accounting principles and criteria, and on the risks on and off the balance sheet.

- To supervise the process of drawing up and the integrity and submission of the required financial information, and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles
- To make proposals to the Board of Directors concerning the selection, appointment, re-election and replacement of the external auditor, and also the terms and conditions of his engagement, and to collect from him regular information about the Audit Plan and its execution, and also preserving his independence in the exercise of his functions.
- To supervise the services and activities of the internal audit unit and, in particular, monitor the independence of the unit handling the internal audit function, which shall report functionally to the Chairman of the Audit and Control Committee and will monitor the effectiveness of reporting and control systems; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receiving regular report-backs on its activities; and verifying that senior management are acting on the findings and recommendations of its reports.
- The head of the unit handling the internal audit function should present an annual work programme to the Audit and Control Committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

In accordance with the Internal Control General Policy of Logista Group, it is assigned to the Internal Control Committee of the Logista Group, which President is the Finance Corporate Director, the mission to drive forward and monitor the Internal Control System (in which ICOFR is embedded), and provide and approve the basic guides to its operation, under the supervision of and dependency on the Audit and Control Committee of the Board of Directors.

Among other functions, the Internal Control Committee establishes the responsibility to validate the proposals of the Internal Control Process Owners or Co-ordinators, or of the Corporate Directors or Business Managers, to define, update and develop new processes or sub-processes and risks and control activities, including all those which are related to the ICOFR.

The Finance Corporate Directorate is the body responsible for defining the systems of internal control over financial information. In this regard, it establishes and defines the policies, guidelines and procedures related to the generation of the said information, in order to guarantee the quality and authenticity of the financial information generated and monitors its compliance.

In addition, among the functions defined in the rules of Internal Auditing, the Management of the Internal Audit Department has that of providing the Logista Group, and in particular its Senior Management, its Board of Directors and its Audit and Control Committee, with a reasonable degree of assurance in relation to the following points:

- That the significant risks of the Logista Group are identified and managed effectively and efficiently, and that proposals are made to the competent bodies of any strengthening measures that are considered necessary in any of the component parts of the Logista Group Internal Control System (Control Environment, Risk Evaluation, Control Activities, Information and Communication, and Supervision);
- That in particular, there is adequate supervision of the system for the internal control of financial reporting (ICOFR).

F.1.2. If the following elements exist, especially in connection with the process of preparing financial information:

- **Departments and/or mechanisms entrusted with: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and roles; and (iii) ensuring that the procedures for disseminating this information throughout the entity are sufficient, specially related to the preparation of financial information.**

According to Article 6 of its Rules, the general purpose of the Board of Directors of the Logista Group is to determine and supervise the Logista Group business and financial objectives, agreeing on the strategy, the plans and the policies by which to achieve them, propelling and supervising the management of the Group and the achievement of the established objectives, and ensuring the existence of adequate management and organisation, under effective supervision of the Board.

Notwithstanding the foregoing, the policy of the Board is to delegate the ordinary management of the Group to the executive bodies and the management team, except in those matters which, according to the Law, the By-Laws or the Board's Rules, cannot be delegated.

For this reason, the Appointments and Remunerations Committee has the responsibility, among others, to advise on the proposals for the appointment or severance of senior directors which the Chief Executive proposes to the Board.

Among the roles of the senior management are the design and review of the organisational structure of the different units of corporate business, for the purpose of identifying needs, inefficiencies and areas for improvement in the design of those structures, and the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Directorate of Human Resources has procedures for updating the organisational structures at corporate level and of each of the Logista Group subsidiaries. These procedures are documented in organisation charts, which show the lines of authority up to a certain organisational level.

The Logista Group has a range of internal regulations governing the allocation and division of responsibilities and the segregation of functions in the different areas of the Group. Also, the Logista Group has job descriptions where main responsibilities of each job positions are described.

Specifically, the Corporate Financial Directorate has organisation charts showing the composition of the Financial Departments of each of the subsidiaries and business units; it also has regulations and procedures containing information about the tasks carried out by the different members of those departments, and information about the responsibilities included in the jobs of the key personnel involved in the preparation of the financial statements.

Dissemination is through the corporate Intranet which is used for internal communications, and through which the Logista Group regulations and procedures, as well as information about the most important changes occurring in the organisational structure, are disseminated. Furthermore, in the Corporate Intranet Directory one may find complete information about each of the employees of the Logista Group, including the post occupied and the reporting lines.

- **The code of conduct, the approving body, the degree of dissemination and instruction, the principles and values included (with an indication of whether there are specific references to the record of operations and the preparation of financial information), the body responsible for analysing breaches and proposing corrective actions and sanctions.**

The Logista Group has adopted the Code of Conduct issued by its controlling shareholder, Imperial Brands PLC, which has been approved by its Board of Directors. There is, in addition, a Code of Conduct which applies specifically to the Logista Group companies in Italy (the 'Código Etico'), approved by the Board of Directors of Logista Italia, S.P.A., within the framework of Legislative Decree 231/01, which governs the regulation of compliance in the matter of criminal risks, and which describes in detail all the processes of the Logista Group Italian companies, including the preparation of financial information, which are in turn analysed by the governing and control bodies legally

required in Italy.

The Logista Group Code of Conduct may be consulted on the Corporate intranet.

All the employees of the Logista Group have to commit themselves to its compliance and as a prove of that, they must sign a 'recognition' document, confirming that they have read the Code of Conduct and will observe its provisions. The Group Logista has versions of this document in English, Spanish, French, Italian, Portuguese and Polish, so that it can be correctly disseminated and understood in all the countries in which it operates.

The Code of Conduct lays down the principles of responsible behaviour which all the employees have to observe, and offers a practical guide to the way in which important ethical and legal matters should be dealt with. As fundamental values it includes business integrity, responsible commercial practice, trust, respect and responsibility. Each of the general principles is elaborated on in the body of the Code.

In particular, within the principle of responsible commercial practice, there is a section on accuracy in accounting and the keeping of financial records and notifications, of which the main obligations are explained below:

- To report and record all our financial information accurately and objectively.
- To ensure that accurate and complete financial and commercial records are kept.
- To ensure that all the financial reports, notifications, forecasts and analyses for which we are responsible are transmitted honestly and accurately.
- To observe all of the laws, external requirements and procedures of the Company when transferring financial and commercial information.
- To co-operate openly with the Logista Group Compliance Department and with our external auditors.
- To strive to identify any potentially erroneous representation of the accounts, data or records, or any occurrence of potential fraud or deception, and to inform the local, regional or departmental heads of finances, the Director of Accounting, Forecasting and Taxation or the Logista Group Compliance Manager of any worry or doubt about the accuracy of the financial reports.

The Code of Conduct itself and its complaints procedure lay down a procedure for notifying, recording and investigating possible breaches of the Code of Conduct as well as the principles of the investigations and the disciplinary measures, including dismissal, and the rights of appeal.

The body ultimately responsible for these activities is the Audit and Control Committee itself, who in their Board of Directors Regulation states as part of their responsibilities the supervision of compliance with corporate governance rules and the Internal Codes of Conduct of the Company. In particular, the Audit and Control Committee shall:

- Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, the Regulations and the Logista Group's governance rules, as well as putting forward proposals for its improvement.
 - **The complaints channel, which enables notifications of financial and accounting irregularities, of any possible breaches of the Code of Conduct, or of any irregular activities in the organisation to be made to Audit Committee, together with, if appropriate, information about their confidential nature.**

The Logista Group has a Policy and Procedure on Complaints of Malpractice ("Whistleblowing"), which was approved by the Board of Directors on 26th April, 2016.

This Policy formalizes the existence of a channel for denouncing behaviour, deeds, actions, omissions or failure to observe the principles, ethical values, laws and internal regulations applicable

to the Logista Group, and establishes the general principles which govern the notification of the complaint, as well as the subsequent actions that have to be taken by the Logista Group as a result of such a notification of complaint. The procedure develops the aspects or premises which require the Implementation and execution of the Policy.

One of the bodies competent to receive complaints and to investigate cases of malpractice is the Audit Committee, when if, in the conduct, deeds, acts, omissions or non-compliance which constitute(s) the Malpractice, the participation or direct or indirect involvement of any Member of the Board, including its Secretary, or of a Company Director, or of the General Manager of a Business, is deduced. Immediate report will be given by the Secretary of the Whistleblowing committee or Internal Control Unit, to the President of the Audit Committee, or if implicated, to any member of the Board of those Commission,

Also, the Procedure states that the Directorate of Corporate Internal Auditing will prepare a report on cases that are relevant, of significant importance, of a financial or accounting nature, or serious, which will be forwarded to the Audit and Control Committee, which will, in addition, supervise the general observance of the Logista Group's Policy on Complaints, and of the provisions of this Procedure.

With regard to the confidentiality of complaints, the Policy states as one of its key principles the guarantee of Confidentiality and, as far as the applicable local legislation allows, the anonymity of the complaint.

The identity of the 'whistleblower' will not be disclosed to anyone other than the Bodies Competent to receive and investigate a complaint of Malpractice, in any of the stages of the Investigation Procedure, nor will the said identity be revealed to third parties or to the people being investigated.

As an exception, and under the applicable regulations, the identity of the 'whistleblower' can be revealed to the Administrative or Legal Authority which is handling the investigation procedure initiated by or resulting from the complaint of Malpractice.

- Programmes for the training and regular updating of staff involved in the preparation and reviewing of financial information, and in the evaluation of the ICOFR, covering at least the following: accounting principles, auditing, internal control and management of risks.

Within the system for annual performance management assessment, personal development is encouraged, and any need for training in the said subjects is detected and then reflected in the Annual Training Plan.

The Human Resources Department, in collaboration with each of the business units, is responsible for defining the Logista Group Annual Training Plan, in which the training needs of the staff, including those involved in the generation and issue of financial information, and the internal control and management of risks, are identified.

In this way, training courses are given annually to those of the staff who are involved in the preparation and reviewing of financial information. Specifically, external training has been given on the following subjects: Financial modelling, international accounting standards, fiscal accounting, custom code, international treasury management, general accounting, analysis of contingent liabilities, certified internal auditor training, auditing global anti-corruption policies, and process analysis. During the year, internal training has been given related to "Finances for not financial people".

In order to ensure that the regulatory modifications and updating which are required to guarantee the reliability of financial information are understood and applied, the departments involved in the preparation and supervision of financial information keep themselves permanently informed of any such modification, through the subscription to bulletins and newsletters from external sources, as well as by the attendance to conferences and seminars of specific topics and technical updates, such as: tax and accounting innovations, new external audit report model, national meeting on risks management, challenges of Audit Committees in 2017 related to the new Technical Guideline issued by the CNMV.

Furthermore, on-line specific training about global financial fraud has been given to all new employees belonging to the financial, internal control and internal audit departments.

F.2 Evaluation of risks in financial reporting

Report on at least the following:

F.2.1. The main characteristics of the process of identifying risks, including those of error or fraud, in relation to:

- **Whether the process exists and has been documented.**

The Logista Group has a specific selection of policies for the process of identifying risks in the Group, specifically:

The General Policy on Internal Control has the purpose of establishing a model or general framework of action of the Logista Group for control of external or internal risks of whatever kind, which could affect the Group.

The "Internal Control Procedure" defines and regulates the Control activities that the Logista Group must follow, to avoid or attenuate these internal and external Risks.

Also, the "Risk Management Policy" and the "Risk Management Procedure" describe risks management as an interactive and continuous process, incorporated into strategy and planning process. The Policy and the Procedure together define the basic principles and methods to be followed in the Group, and they are reflected in the Logista Group risks map.

In the methodology used for Risks Management implemented in the Group, during the phase of identification and prioritization of risks, those risks of a financial nature are considered; among these, the risks of fraud and risk of error in valuation and financial reporting are considered to be relevant when categorizing the financial risks

The risks management process is reflected in a risks register, which is prepared from assessments of the impact and probability of each risk, made by those responsible for the processes in all the Logista Group companies, who take into consideration variables both quantitative and qualitative.

Its output is the Logista Group Risks Map: there is a consolidated risks map of the Logista Group and also there are maps of specific risks for each Company and Business unit or Corporate Directorate, linked to key Business and Corporate Directorates' processes.

- **Whether the process covers all of the objectives of the financial assertions (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and if so, how often.**

Additionally, on an annual basis, Internal Control Department makes an assessment, by each Business and Company, of the significant accounts, both at quantitative and qualitative level, which are later on linked to the different processes, and which results are gathered in what is denominated as ICOFR Scope Matrix, which determine relevant process for ICOFR purposes.

Taking the Scope Matrix as a reference, the Group develops the identification and description of each of the transactional risks in the processes that are relevant for the purposes of the ICOFR. This analysis is documented at the ICOFR risks and control matrix.

The Logista Group developed in 2016 an instruction for "ICOFR documentation", in which premises to be followed are exposed in order to guarantee an adequate documentation maintenance. More explicitly, it is reflected that the review of these documentation must be a continuous and constantly updated process. Nevertheless, at least annually, at the beginning of the fiscal year, Internal Control Coordinator will do a general review of the documentation in order to guarantee a proper maintenance and communication. In case no update needs to be done to the current documentation, this fact will be communicated both to Internal Control Department and Internal Audit Department.

- The existence of a process of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special-purpose entities.

The Logista Group consolidation perimeter is determined monthly by the Financial Corporate Directorate, based on the “Annex 23-Consolidation Procedure” of the “Finance Accounting Manual, Consolidation and Reporting of Logista Group and its Subsidiary Companies. This Procedure establishes the system to be followed to define the consolidation perimeter and to ensure that it is correctly updated, so that nothing is omitted from the consolidated financial information.

In the Group consolidated financial statements at the close of the financial year, in accordance with the methods of inclusion applicable in each case, all those companies belonging to the Logista Group, joint businesses and companies associated with it were included in accordance with the content of the IFRS. For that purpose, the Consolidation Department has a detailed checklist of all the companies belonging to the Logista Group, and carries out a specific, regular analysis of the consolidation criteria to be applied.

- Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.

In its system of Risk Management, the Logista Group considers the following categories of risk, which may be distinguished according to their nature or their consequences:

- Environment Risks: including those events regarding economic matters, such as the consequences in the consumer habits from the economic crisis in the countries where the Group operates. As well, due to the regulated nature of the tobacco market, main business of the Group, the risks regarding any modification to the tobacco regulations fall into this category.
- Business Risks: enclosing in this category any risk regarding the behavior of the different agents present in the Businesses of the Group, such the relationship with the tobacco manufacturers, or the entrance of new competitors.
- Operational Risks: those related to the regular Group operations, such as process inefficiency, technology problems, non-compliance with quality standards, or those resulting from errors in the execution of the activities.
- Regulatory Compliance Risks: resulting from non-compliance with existing regulations affecting the Group, including the internal policies and procedures, as well as those regarding the legal regulations that subject the Group, the penal risks and the compliance with the both the legal regulations and the internal policies regarding the internal control over financial reporting.
- Financial/Fiscal Risks: considering those risks regarding the Group exposure to price and other market variables fluctuations, such as the exchange rate, interest rate, oil price, etc. Furthermore, credit risks resulting from contractual liabilities, as well as fiscal risks from the Group activities lie into this category.
- Decision-making Risks: incorporating in this strand those events that could derive in errors due to an incorrect process of the decision-making data, such as the elaboration of accounting and financial statements.
- Reputational Risks: including those events that could negatively affect the Group image and, therefore, its value, resulting from a behavior under the stakeholders expectative.

The Logista Group has also introduced a Model for the Prevention of Criminal Risks, covering the legal risks considered in the Manual for the Prevention of Offences, and also a Crime prevention system in their Italian subsidiaries to comply with Legislative Decree 01/231.

- **The Entity's Governing Body which supervises the process.**

The Board of Directors of the Company, through its Audit and Control Committee, is the body ultimately responsible for supervising the process of evaluating risks.

The Board of Directors Regulation mentions that the Logista Group shall have a risk control and management unit under the direct supervision of the Audit and Control Committee. This unit shall be expressly charged with, among others, the duty to ensure that risk control and management systems are functioning correctly and, specifically, that major risks the Company is exposed to are correctly identified, managed and quantified; to actively participate in the preparation of risk strategies and in key decisions about their management; and to ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the Board of Directors.

The mentioned control and management unit is represented by the Logista Group Internal Control Committee which has the functions stated in the preceding section E.2.

Likewise, and regarding this issue, the Internal Audit Corporate Directorate has the functions set up in the preceding section E.2.

F.3 Control activities

Indicate whether the entity has at least the following, and if so, indicate their main characteristics:

F.3.1. Procedures for the review and authorisation of the financial reporting and the description of the ICOFR, for publication in the securities markets, identifying their managers, and documents describing the flows of activities and controls (including those related to the risk of fraud) of the different types of transaction which can materially affect the financial statements, including the procedure for accounts closure and the specific review of the relevant opinions, estimates, valuations and projections.

The regulated financial information to be sent to the markets complies with the provisions of Royal Decree 1362/2007 of 19th October, and Circular 1/2008 of 30th January of the CNMV (*Comisión Nacional del Mercado de Valores*: National Securities Market Commission).

The Logista Group has an "Accounting Policy Manual, which defines a series of manual and automatic checks that are used to verify financial information, prevent fraud, and ensure compliance with current legislation and the generally accepted accounting principles. There is also a formal procedure for accounts closure in which the financial information is prepared by each economic/financial manager of each subsidiary company or business, which is verified by the Consolidation and Reporting Department, and approved, before publication, by the Logista Group Finance Corporate Directorate. It is also checked by the external auditors. Finally, it is analysed by the Audit and Control Committee, which reports to the Board of Directors, the latter being the body which finally approves it and agrees to its publication and dissemination to the markets, as explained in section F.1.1.

With regard to the specific review of the relevant opinions, estimates, valuations and projections, the Logista Group has an Instruction about financial Provisions which describes the manner of dealing with each of the provisions which the companies in the Logista Group may make, and which is designed to reduce the risk of error in processes related to specific transactions.

In addition, every quarter, the Financial Directors and Controllers of the Logista Group Businesses and/or Companies issue a certificate in which they declare that the Logista Group General Policy on Internal Control has been complied with as regards reconciliation of key accounts and controls. Every year, they also issue a representation letter in which they certify:

- That they were themselves responsible for preparing the financial statements reported at the close of the financial year, and for any other breakdown produced.
- That the financial statements were obtained from the Company's accounting records, which

reflect all its transactions and its assets and liabilities.

- That the Company's accounting records correspond to what was produced by the consolidation tool in accordance with the local accounting standards plus the adjustments necessary to align them with the IFRS.
- That the concepts included in each account correspond to those in the Group's Accounting Plan and Manual.
- That the estimates and important decisions were made on the basis of the latest information available in the business and are sufficiently well documented and justified.
- That responsibility is accepted for the reliability of the information contained in the consolidated financial statements of the Company or subgroup (where applicable) at the close of the financial year.

Furthermore, and with regard to the documentation describing the flows of activities and controls of the different types of transaction which can materially affect the financial statements, the Logista Group has prepared the required documentation which describes the control activities which cover all the purposes of controlling financial reporting for the Logista Group, by means of its corresponding ICOFR risk and control matrix, , narratives and flowcharts, in accordance with the recommendations made by the CNMV in its "*Guía de Control Interno sobre la Información Financiera de las Entidades Cotizadas*" (Internal control guide on the financial information of the listed companies).

The aforementioned risk and control matrix, narratives and flowcharts contain information about, among other matters, the activity of control, the risk which has to be reduced, how often it has to be carried out and by whom, and the definition of critical control and fraud control.

F.3.2. Policies and procedures for the internal control of information systems (including security of access, management of changes, and implementation of the same, operational continuity and segregation of functions) which support the entity's processes connected with the preparation and publication of financial information.

The Logista Group uses information systems to keep an adequate record and control of its operations, so their correct functioning is crucial for the Logista Group.

The Management of Information Systems within the Management of Corporate Resources is responsible for the Logista Group information and telecommunications systems. Among its functions is that of providing the Information Systems Department with a set of policies, procedures and technical and organizational means to ensure the completeness, availability, confidentiality and continuity of the corporate information, including the financial information.

The regulations relating to the internal control of the information systems are available to all the employees through the Logista Group intranet, and consist of:

- The General Policy on Internal Control
- The strategic framework of the Information Systems
- The Protection of the Information Systems
- The Policy governing the Security of the Information Systems
- The Security Procedure for the Information Systems
- The IS Standards Manual

The General Policy on Internal Control establishes the guidelines and directives relating to the management of the risks associated with the management and use of information systems and, specifically, in areas such as the control of access, the management of changes, the implementation of the same, operational continuity and the segregation of functions. This General Policy on Internal

Control is complemented by the pertinent internal regulations established for that purpose.

The control of access is based on the setting-up of mechanisms of identification and authentication, on the establishment of profiles based on the minimum and indispensable requirements of the workstations, and on the segregation of functions through the definition of the incompatibilities existing between the functions carried out by the business areas and the resulting complementary activities.

The creation, modification or revocation of users or profiles is subject to an authorisation procedure controlled by the managers concerned.

Changes in the information systems and their subsequent operation are regulated by an internal policy which defines the turning-points, the requirements and the bodies governing the life span of the changes, with the aim of ensuring continuity in the Logista Group operations and the reliability and confidentiality of the changes made.

The availability of the information systems and the continuance of their functioning following an incident are guaranteed by a recovery plan for use in cases of corporate disaster. The plan establishes levels of criticality for each of the information systems, based on the risk associated with it, and on the maximum times for recovery defined by the Logista Group. To prepare for the eventuality of an incident, procedures have been designed and tested to identify the situations, in which the plan should be implemented, the scale of operation of each particular manager, and the method of implementing the plan. There is an annual calendar of tests of the plan for recovery from disasters affecting the Logista Group information systems.

The Logista Group has designed and implemented a matrix for the segregation of functions which segments the privileges of the users according to the minimum resources and information that are indispensable for the correct performance of the tasks associated with the workstations in the users' areas. In addition, and to complement the matrix for the segregation of functions, a set of measures and/or activities complementary to the segmentation of privileges has been established, such as the inclusion in the model of a group of users with greater privileges, with the aim, after an express request and while keeping track of the operations carried out, of supporting the operations of the corresponding users' area.

F.3.3. Policies and procedures of internal control designed to supervise the management of activities subcontracted to third parties, and of those aspects of evaluation, calculation or valuation entrusted to independent experts, and which can materially affect the financial statements.

For the current financial year, none of the processes resulting in the collection of financial information with a material impact on the individual or consolidated financial statements of the Logista Group have been externalised, so the Logista Group has not required reports about the effectiveness of the controls established by entities outside the Logista Group, other than the requirements of the policies for contracting third parties which the Logista Group uses in its Purchasing Policy.

However, as the result of the valuations is not significant, the Logista Group does repeatedly use reports of independent experts for the valuation of certain commitments to employees' benefits, and for the valuations of certain properties.

The Finances Corporate Directorate monitors the work of those experts in order to check: competence, training, accreditation and independence, the validity of the data and methods used, and the reasonableness of the hypotheses used, if applicable.

F.4 Information and communication

Indicate whether the entity has at least the following, and if it has, indicate their main characteristics:

F.4.1. A specific function to define the accounting policies and to keep them up-to-date (an area or department of accounting policies) and to resolve doubts or conflicts arising from their interpretation, while maintaining fluid communication with those responsible for the operations in the organisation, and a manual of accounting policies which is updated and communicated to the units through which the entity operates.

The functions of the Management of Consolidation and Reporting, belonging to the Finance Corporate Directorate, are to define and communicate the accounting policies and keep them up-to-date, and it also has to answer enquiries about the accounting standards and their interpretation.

The Management of Consolidation and Reporting keeps abreast of changes in the accounting standards by means of communications with the external advisors and through the training which they themselves receive. These changes have to be analysed, and when they are applicable, the Accounting Policies defined in the accounting manual have to be updated.

The issue of all types of accounting standards is centralised in the Finance Corporate Directorate through their Management of Consolidation and Reporting department, which will be responsible for following and, if appropriate, applying, the modifications published in the regulations.

The Logista Group has a Manual of Accounting Policies, the purpose of which is to establish and describe the accounting policies and the Accounts Plan to which the financial information of all the Logista Group companies, the management information and the formation and formulation of the Logista Group Individual and Consolidated Annual Accounts must mandatorily be submitted.

In this way, it is intended to ensure that the content of the financial information and of the Individual and Consolidated Annual Accounts of the Logista Group are homogenous, consistent, accurate and harmonised, and that they are prepared on time.

F.4.2. Mechanisms for collecting and preparing financial information in homogenous formats, for application and use by all the units in the entity or the Group, and which support the principal financial statements and the notes, and the information given about the ICOFR.

The Logista Group main ERP tool is the 'SAP', which is used to record, at individual level, the accounting transactions from which financial information is obtained for the subsidiaries of the Logista Group. All the companies which constitute the Logista Group work in accordance with the same plan of accounts, which is homogenous and common to the whole Logista Group, contained in the Accounting Manual, and updated continuously.

The consolidated financial statements are prepared centrally from the financial statements which are reported in the established format by each of the Logista Group subsidiaries. To do that, the Logista Group has HFM consolidation software, which the Logista Group subsidiaries and companies use for reporting, and which enables the data to be aggregated, homogenised and analysed at individual and consolidated levels. In the consolidation process there are checks to ensure the correctness of the consolidated financial statements.

In addition, the Consolidation and Reporting Department has a series of internal guidelines – such as the procedures for consolidation, for inter-company transactions and for reporting, which are applicable to all the companies which constitute the Logista Group – which establish the mechanisms for collecting and preparing financial information in homogenous formats, the general rules, rules for the insertion of entries, for the approval of manual entries, opinions and estimates (including valuations and relevant projections) and a system for communicating financial information to the senior management and ensuring the homogeneity of the process of drawing up financial information.

F.5 Supervision of the functioning of the system

Report on at least the following, indicating their main characteristics:

F.5.1. The supervisory activities of the ICOFR carried out by the Auditing Committee, and whether the entity has an internal auditing function which has among its responsibilities that of supporting the Committee in its work of supervising the system of internal control, including the ICOFR. Also report on the scope of the evaluation of the ICOFR that was carried out during the financial year, and on the procedure by which the person responsible for carrying out the evaluation communicates its results, on whether the entity has a plan of action which details any necessary corrective measures, and on whether its impact on the financial reporting has been considered.

Through the Internal Audit Corporate Directorate, the Audit and Control Committee has carried out the following supervision activities during the fiscal year:

- Approval of the audit activities related to ICOFR to be executed according to Annual Internal Audit Plan for 2017.
- Monitoring of the results of the ICOFR reviews performed by the Internal Audit Corporate Directorate, as well the progress on the action plan implementation resulted during the audit reports.
- Review of the information about the ICOFR which is included in the Annual Report on Corporate Governance.
- Review of the report of the External Auditor's opinion on this subject.

The Logista Group has an Internal Auditing Corporate Department, with functional dependence on the Chairman of the Audit and Control Committee.

In its Internal Audit Charter, approved by the Board through its Audit and Control Committee, the purpose, authority and responsibility of the activity of Internal Auditing, and its position within the organisation are defined. Among the responsibilities of the said function are the following (among others):

- To evaluate whether the processes, activities and aims of internal control which constitute the Logista Group System of Internal Control are adequate, effective and efficient, and guarantee the Group, the Audit and Control Committee, and the Board of Directors of the Logista Group the effective supervision of the system of management and control of risks, if necessary making recommendations, either directly or through the Logista Group Management of Internal Control, for its strengthening;
- In particular, to ensure that there is adequate supervision of the system of internal control of financial reporting (ICOFR).

With regard to planning, communication with the Audit and Control Committee, and implementation of corrective measures, the following responsibilities are defined in the Internal Audit Charter:

- In an open dialogue with the Management and the Audit and Control Committee, the drawing-up of an Annual Plan for Internal Auditing based on an appropriate method of risk management, and, if appropriate, on the needs expressed by the Businesses or Corporate Directorates. The work involved in the Annual Plan must be mainly orientated towards the GROUP's important risks. The Plan must envisage work for special, *ad hoc* requirements during the year. The Annual Plan, and any updating of the Plan, will be sent to the Audit and Control Committee for its approval;
- The performance of the work described in the approved Auditing Plan, and the activities of verification, inspection and review described in the Internal Auditing Plan;
- The preparation and despatch of regular (at least quarterly) summary reports to the Audit and

Control Committee, on the results of the activity of Internal Auditing in fulfilment of the Annual Plan for Internal Auditing, or of other actions not included in the Plan, and on the monitoring by the Businesses and the Corporate Directorates or the Senior Management of the recommendations made;

- Collaboration with the Businesses and/or Corporate Directorates in the definition of the plans of action to comply with their recommendations, and supervision of their correct starting-up and implementation;

According to Internal Audit Plan, approved by the Audit Committee, activities related to ICOFR have been carried out. More specifically, a three years Plan 2015-2018 was done; in which all relevant processes of ICOFR purposes have been considered. Current fiscal year processes under review include most of Stock Management processes of those businesses with significant impact on financial statements, General Accounting, and Treasury and Funding processes.

As part of ICOFR evaluation process, which conclusions are included in audit reports for each business and process audited, internal audit verify the operative efficiency of critical and automatic controls: this means that there are not significant control deficiencies related to financial information; If yes, the financial impact is measured, and corrective measures are set up in order to solve them resulting in action plans. Deficiencies are classified in the audit reports according to criticality, a responsible is appointed and they are monitored until its final solution.

During the current fiscal year, no internal control deficiencies have been detected with relevant impact on financial statements in those processes audited, although it has been communicated to the Audit and Control Committee those adjustments or reclassifications, not significant, raised as a result of the audit reviews.

F.5.2. Whether the entity has a discussion procedure by which the accounts auditor (in accordance with what is established in the NTA), the function of internal auditing and other experts can inform the senior management or the entity's administrators of the significant weaknesses in internal control that were identified during the annual review of the accounts or during any other processes that were entrusted to them. And also, whether the entity has a plan of action aimed at correcting the weaknesses observed or mitigating their effect.

The Audit and Control Committee meets at least quarterly with the aim of obtaining and analysing the necessary information in order to fulfil the responsibilities entrusted to it by the Board of Directors. There is a plan of the subjects which have to be dealt with in the agendas of the Audit and Control Committees, including the sessions attended by the Corporate Internal Audit Director, the External Auditors, and fiscal experts or other experts when this is considered necessary. In this regard:

- The external auditors are present at, and report on, all the sessions of the Committee in which regulated financial information and accounts formulations are analysed. In those sessions, the external auditors report to the Committee on important Auditing and Accounting matters, and on the recommendations identified as those which would enable the internal control system to improve. They also present the planning of the Accounts Auditing, their methodology, legislative innovations, and any other information considered to be useful.
- Corporate Internal Audit Director has full access to the Audit Committee, attending its sessions as a guest, and issuing information, at least twice a year, both about detected significant weaknesses in internal control and about the state of the action plans arising out of the audits with a view to correcting the detected weaknesses in internal control.

F.6 Other relevant information

N/A

F.7 The External Auditor's report

Report on:

F.7.1. Whether the information about the ICOFR that has been sent to the markets was subject to review by the external auditor, in which case the entity should include the corresponding report as an annex. If it was not reviewed, the entity should explain the reasons for this.

The Logista Group has submitted for review by the external auditors the information about the ICOFR that was sent to the markets for fiscal year 2017.

The scope of the auditors' review procedures was in accordance with Circular E14/2013 of 19th July, 2013, of the Instituto de Censores Jurados de Cuentas de España, in which the 'Guide to Action and Model Auditor's Report relating to the system of Internal Control of Financial Reporting (ICOFR) in quoted entities', which is attached as an annex, was published.

G DEGREE TO WHICH THE GOOD GOVERNANCE RECOMMENDATIONS HAVE BEEN FOLLOWED

State the degree of conformance of the Company to the Recommendations of the Good Governance Code of listed companies.

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

Complies Explain

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

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

Complies Complies in part Explain Not applicable

3. **During the annual general meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

- a) **Changes taking place since the previous annual general meeting.**
b) **The specific reasons for the company not following the Good Governance Code recommendations and any alternative procedures followed in its stead:**

Complies Complies in part Explain

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies Complies in part Explain

5. **The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Complies Complies in part Explain

6. **Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**

- a) **Report on auditor independence.**
b) **Reviews of the operation of the audit committee and the appointment and remuneration committee.**
c) **Audit committee report on third-party transactions.**
d) **Report on corporate social responsibility policy.**

Complies Complies in part Explain

7. The company should broadcast its general meetings live on the corporate website.

Complies Explain

The Board of Directors has not considered it necessary so far, due to the current floating capital (35%).

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content:

Complies Complies in part Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies Complies in part Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies Complies in part Explain Not applicable

11. Where a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies Complies in part Explain Not applicable

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximizing its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies Complies in part Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximize participation. The recommended range is accordingly between five and fifteen members.

Complies Explain

14. The board of directors should approve a director selection policy that:

- a) **Is specific and ascertainable.**
- b) **Ensures that the appointment or re-election proposals are based on a prior analysis of the board's needs.**
- c) **Favours a diversity of knowledge, experience and gender.**

The results of the prior analysis of board needs should be written up in the nomination committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The nomination committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies Complies in part Explain

The Board of Directors has not approved yet a Director Selection Policy.

15. Proprietary and independent directors should constitute an ample majority in the Board of Directors and the number of executive Directors is the minimum necessary number, bearing in mind the complexity of the corporate Group and the percentage interest held by the executive Directors in the company's share capital.

Complies Complies in part Explain

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

- a) **In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) **In companies with a plurality of shareholders represented on the board but not otherwise related.**

Complies Explain

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or should occupy, at least, a third of board places.

Complies Explain

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

- a) Background and professional experience.**
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) Dates of their first appointment as a board member and subsequent re-elections.**
- e) Shares held in the company, and any options on the same.**

Complies Complies in part Explain

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 per cent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies Complies in part Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Complies Complies in part Explain Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in Recommendation 16.

Complies Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies Complies in part Explain

23. **Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies Complies in part Explain Not applicable

24. **Directors who give up their office before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Complies Complies in part Explain Not applicable

25. **The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complies Complies in part Explain

26. **The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complies Complies in part Explain

27. **Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Complies Complies in part Explain

28. **When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Complies Complies in part Explain Not applicable

29. **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

Complies Complies in part Explain

- 30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Complies Explain Not applicable

- 31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies Complies in part Explain

- 32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complies Complies in part Explain

- 33. The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

Complies Complies in part Explain

- 34. When a lead independent director has been appointed, the Bylaws or Board of Directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

Complies Complies in part Explain Not applicable

The Chairman of the Board does not perform management functions.

- 35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

Complies Explain

- 36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.

- d) **The performance of the chairman of the board of directors and the company's chief executive.**
- e) **The performance and contribution of individual directors, with particular attention to the chairmen of board committees.**

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies Complies in part Explain

- 37 **When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee.**

Complies Complies in part Explain Not applicable

38. **The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.**

Complies Complies in part Explain Not applicable

39. **All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Complies Complies in part Explain

40. **The Company should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and internal control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Complies Complies in part Explain

41. **The head of the unit handling internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.**

Complies Complies in part Explain Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programme, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies Complies in part Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies Complies in part Explain

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies Complies in part Explain Not applicable

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance sheet risks.**
- b) The determination of the risk level the company sees as acceptable.**
- c) The measures in place to mitigate the impact of identified risk events should they occur.**
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

Complies Complies in part Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.**
- c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

Complies Complies in part Explain

47. Appointees to the appointments and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies Complies in part Explain

48. Large cap companies should operate separately constituted nomination and remuneration committees.

Complies Explain Not applicable

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointment committee to propose candidates that it might consider suitable.

Complies Complies in part Explain

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.**
- b) Monitor compliance with the remuneration policy set by the company.**

- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' remuneration contained in corporate documents, including the annual directors' remuneration report.

Complies Complies in part Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies Complies in part Explain

52. The terms of reference of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations, including:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.
- d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies Complies in part Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organization, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.

- e) **Monitor corporate social responsibility strategy and practices and assess compliance in their respect.**
- f) **Monitor and evaluate the company's interaction with its stakeholder groups.** g) **Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.**
- h) **Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.**

Complies Complies in part Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) **The goals of its corporate social responsibility policy and the support instruments to be deployed.**
- b) **The corporate strategy with regard to sustainability, the environment and social issues.**
- c) **Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.**
- d) **The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.**
- e) **The mechanisms for supervising non-financial risk, ethics and business conduct.**
- f) **Channels for stakeholder communication, participation and dialogue.**
- g) **Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Complies Complies in part Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies Complies in part Explain

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind. In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.**
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards on-going achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

Complies Complies in part Explain Not applicable

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Complies Complies in part Explain Not applicable

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies Complies in part Explain Not applicable

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies Complies in part Explain Not applicable

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies Complies in part Explain Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data subsequently found to be misstated.

Complies Complies in part Explain Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Complies Complies in part Explain Not applicable

H OTHER INFORMATION OF INTEREST

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

2. In this section, any other information, clarification or nuance may be included that is related to the previous sections of the report, to the extent that they are relevant and not reiterative.

In particular, state if the company is subject to different legislation than the Spanish legislation in corporate governance matters and, where appropriate, include the information that the company is obligated to provide which is different to that required in this report.

3. The company may also state if it has voluntarily signed up to other international industry-wide or any other codes of ethical principles or best practices. Where applicable, the code in question will be identified along with the date of signing. In particular, the company will declare if it subscribed the Code of Best Tax Practices, of 20 July 2010.

Note to Section C.1.37

The amount of non-audit work exceeds 70 per cent in the Company since, as a Holding entity, it supports the verification services of the consolidated Group, such as the interim condensed consolidated financial statements for the period ended 31 March 2017, prepared according to IAS34 "Interim Financial Information", and the auditing of the Internal Control System of the Financial Information.

Note to Section C.1.39

On 21st March, 2017, the General Shareholders' Meeting agreed to appoint Deloitte S.L. and PricewaterhouseCoopers Auditores, S.L. as joint auditors of the Individual and Consolidated Annual Accounts of the Company, for the fiscal years ending September 30th, 2017, 2018 and 2019.

In consequence, Deloitte, S.L. has been auditing the Company's accounts for 4 consecutive years, and the Group's accounts for 18, and PricewaterhouseCoopers Auditores, S.L. for 1 fiscal year, both Company's and Group's accounts.

The percentage that represents the number of years that the Company has been audited by Deloitte, S.L., over the number of years in which the annual accounts have been audited is 100%, and by PricewaterhouseCoopers Auditores, S.L. is 25%. For the Group's accounts, the percentages are 100% for Deloitte, S.L. and 6% for PricewaterhouseCoopers Auditores, S.L.

Regarding item 3., the Board of Directors, at its meeting of February 23rd, 2016, unanimously agreed the complete subscription of the Code of Best Tax Practices, which is currently being processed.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting of October 31/10/2017.

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

Yes No

**COMPAÑÍA DE DISTRIBUCIÓN
INTEGRAL LOGISTA HOLDINGS, S.A.**

Auditors' report on the "Information relating to the System of Internal Control over Financial Reporting (ICFR)" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30th, 2017

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

Auditors' report on the "Information relating to the System of Internal Control over Financial Reporting (ICFR)" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30th, 2017

To the Directors of Compañía de Distribución Integral Logista Holdings, S.A.:

As requested by the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. ("the Entity") and in accordance with our proposal-letter of September 1st, 2017, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30th, 2017, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

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

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

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

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on September 30th, 2017 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the consolidated Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

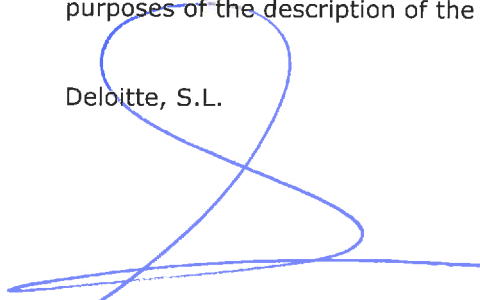
The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 7/2015 of December 22nd, 2015.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

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

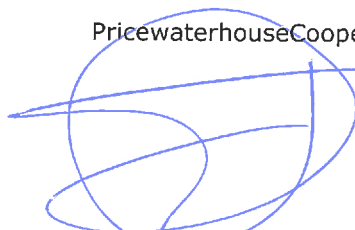
This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 5/2013, amended by CNMV Circular 7/2015 of December 22nd, 2015, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

Deloitte, S.L.



José Luis Aller

PricewaterhouseCoopers Auditores, S.L.



Raúl Llorente Adrián

2 November 2017

Certificate on the issuance of the financial statements

Consolidated Financial Statements and Consolidated Directors Report for the year ended 30 September 2017(1st October 2016 to 30th September 2017), have been formally prepared by the Parent Company Board of Directors, Compañía de Distribución Integral Logista Holdings, S.A., at its meeting on October 31st 2017 in order to be audited and approved by the Shareholders.

Corporate Governance Annual Report for the year ended 30 September 2017, which is part of Consolidated Directors Report, is included below as a Consolidated Directors Report separate section.

Consolidated Financial Statements and Consolidated Directors Report are set forth on 68 sheets, on the obverse only, all of which are signed by the Chairman and Secretary of the Board of Directors, who in witness whereof, have signed below:

D, Gregorio Marañón y Bertrán de Lis
Chairman

D, Luis Egido Gálvez
Chief Executive

D, Stéphane Lissner
Director

D^a, Cristina Garmendia Mendizábal
Director

D, Eduardo Zaplana Hernández-Soro
Director

Mr, John Matthew Downing
Director

Mr, Richard Guy Hathaway
Director

Mr, David Ian Resnekov
Director

D. Richard Charles Hill
Director

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

Leganés, 31 october 2017