

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

Consolidated Financial Statements for
the year ended 30 September 2016
prepared in accordance with International
Financial Reporting Standards (IFRSs)
as adopted by the European Union and
Directors' Report, together with
Independent Auditors' Report

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

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

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the consolidated balance sheet at 30 September 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2016").

The Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

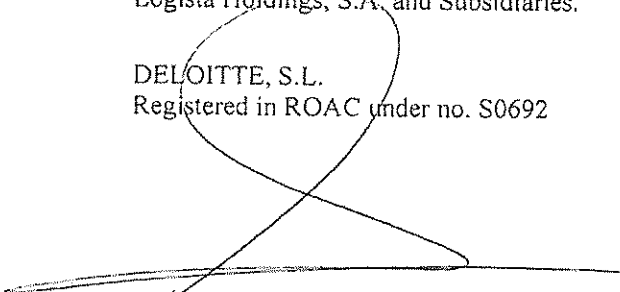
Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries at 30 September 2016, and the consolidated results of their operations and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on Other Legal and Regulatory Requirements

The accompanying consolidated directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries.

DELOITTE, S.L.
Registered in ROAC under no. S0692


José Luis Aller
26 October 2016

AUDITORES
INSTITUTO DE Cuentas Abiertas
DE CUENTAS DE ESPAÑA

DELOITTE, S.L.

Año 2016 Nº 01/16/16912
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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 32). 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 2016 AND 2015 (Thousands of Euros)

ASSETS	Note	30-09-2016	30-09-2015	EQUITY AND LIABILITIES	Note	30-09-2016	30-09-2015
NON-CURRENT ASSETS:				EQUITY:			
Property, plant and equipment	6	189,841	202,241	Share capital	13	26,550	26,550
Investment property	7	18,732	12,632	Share premium	14	867,808	867,808
Goodwill	8	919,104	919,104	Reserves of the Parent	14	10,828	359
Other intangible assets		602,363	660,705	Reorganisation reserves	14	(753,349)	(753,349)
Investments in associates	9	1,401	478	Reserves at consolidated companies	15	223,914	204,498
Other non-current financial assets		27,182	9,057	Translation differences		107	136
Deferred tax assets	19	22,399	40,904	Reserve for first-time application of IFRSs	14	19,950	19,950
Total		1,781,022	1,845,121	Consolidated profit for the period	14	132,079	109,193
				Interim dividend		(33,119)	(31,860)
				Treasury shares		489,736	442,615
				Equity attributable to shareholders of the Parent		2,132	1,815
				Minority interests	16	491,868	444,430
				TOTAL EQUITY			
				NON-CURRENT LIABILITIES:			
				Other financial non-current liabilities		4,743	4,995
CURRENT ASSETS:				Other non-current liabilities		19	154
Inventories	10	1,085,829	1,060,502	Long-term provisions	18	32,830	43,011
Trade and other receivables	11	1,777,162	1,755,996	Deferred tax liabilities	19	328,717	328,131
Tax receivables	19	7,596	11,935	Total		366,309	376,291
Other current financial assets	9	2,039,101	1,775,550	CURRENT LIABILITIES:			
Cash and cash equivalents	12	23,625	22,714	Bank borrowings	20	33,627	31,658
Other current assets		8,382	5,124	Other current financial liabilities	21	888,055	897,640
Total		4,941,695	4,631,821	Trade and other payables	19	4,784,977	4,600,983
				Tax payables	18	17,138	16,795
				Short-term provisions	22	140,943	110,229
NON-CURRENT ASSETS HELD FOR SALE		100	1,091	Other current liabilities			
TOTAL ASSETS		6,722,817	6,478,033	Total		5,864,640	5,657,312
				TOTAL EQUITY AND LIABILITIES		6,722,817	6,478,033

The accompanying Notes 1 to 32 and Appendix 1 and 2 are an integral part of the consolidated balance sheet at 30 September 2016.

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 32). 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 2016 AND 2015 (Thousands of Euros)

	Note	2016	2015
Revenue	24.a	9,632,004	9,470,990
Procurements		(8,593,922)	(8,460,920)
GROSS PROFIT		1,038,082	1,010,070
Cost of logistics networks:			
Staff costs	24.b	(169,740)	(165,456)
Transport costs		(212,891)	(206,865)
Provincial sales office expenses		(73,664)	(73,776)
Depreciation and amortisation charge	4.2, 6 and 8	(88,894)	(85,345)
Other operating expenses	24.c	(175,743)	(153,450)
Total cost of logistics networks		(720,932)	(684,892)
Commercial expenses:			
Staff costs	24.b	(42,939)	(40,817)
Other operating expenses	24.c	(21,506)	(22,072)
Total commercial expenses		(64,445)	(62,889)
Research expenses		(1,805)	(2,382)
Head office expenses:			
Staff costs	24.b	(54,132)	(63,944)
Depreciation and amortisation charge	4.2, 6 and 8	(1,284)	(4,334)
Other operating expenses	24.c	(19,472)	(33,703)
Total head office expenses		(74,888)	(101,980)
Share of results of companies		902	258
Net gain on disposal and impairment of non-current assets	6 and 8	255	1,689
Other expenses		(26)	(17)
PROFIT FROM OPERATIONS		177,143	159,857
Finance income	24.e	14,520	12,370
Finance costs	24.f	(3,899)	(4,284)
PROFIT BEFORE TAX		187,764	167,943
Income tax	19	(55,236)	(58,033)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		132,528	109,910
Result for the period from discontinued operations net of tax		(120)	(300)
PROFIT FOR THE PERIOD		132,408	109,610
Attributable to			
Shareholders of the Parent		132,079	109,193
Minority interests	16	329	417
BASIC EARNINGS PER SHARE	5	1,00	0,82

The accompanying Notes 1 to 32 and Appendix 1 and 2 are an integral part of the consolidated income statements for 2016.

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 32). 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 2016 AND 2015

(Thousands of Euros)

	Note	2016	2015
PROFIT FOR THE YEAR		132,408	109,610
Net actuarial gain (loss) recognised directly in equity	18	(1,329)	(1,124)
Foreign exchange rate changes		(29)	(44)
Net gain (loss) on taxes recognised directly in equity		-	-
TOTAL NET GAIN (LOSS) REGISTERED DIRECTLY IN EQUITY		(1,358)	(1,168)
TOTAL NET GAIN (LOSS) CONSOLIDATED REGISTERED DURING THE YEAR		131,050	108,442
Attributable to:			
Shareholders of the Parent		130,721	108,025
Minority interests		329	417
TOTAL ATTRIBUTABLE		131,050	108,442

The accompanying Notes 1 to 32 and Appendix 1 and 2 are an integral part of the consolidated statement of comprehensive income for 2016.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 SEPTEMBER 2016 AND 2015
(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Transition 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 2014	26,550	942,148	(1,176)	(753,349)	142,676	180	19,950	102,347	(39,825)	-	440,601	1,927	442,428
Net profit for 2015 attributable to the Parent	-	-	-	-	-	(44)	-	109,193	-	-	109,149	-	109,149
Loss attributable to minority interests	-	-	-	-	(1,124)	-	-	-	-	-	-	417	417
Actuarial losses (Note 18)	-	-	-	-	(1,124)	-	-	-	-	-	(1,124)	-	(1,124)
Income and expenses recognised in the period	-	-	-	-	(1,124)	(44)	-	109,193	-	-	108,025	417	108,442
Income and expenses recognised in the period	-	-	-	-	-	-	-	(102,347)	-	-	-	-	-
1. Transactions with Shareholders:	-	-	(424)	-	102,771	-	-	(102,347)	-	-	-	-	-
Distribution of profit:	-	-	-	-	(39,825)	-	-	39,825	-	-	-	-	-
To reserves	-	-	-	-	-	-	-	(31,860)	-	-	(106,200)	-	(106,200)
To dividends	-	(74,340)	-	-	-	-	-	-	-	(670)	(670)	-	(670)
On treasury shares operations	-	-	-	-	-	-	-	-	-	-	-	(529)	(529)
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive Plan	-	-	959	-	-	-	-	-	-	-	959	-	959
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	-	-	-	-	(1,329)	-	-	-	-	-	(1,329)	329	329
Actuarial losses (Note 18)	-	-	-	-	(1,329)	-	-	-	-	-	-	-	(1,329)
Income and expenses recognised in the period	-	-	-	-	(1,329)	(29)	-	132,079	-	-	130,721	329	131,050
Income and expenses recognised in the period	-	-	-	-	-	-	-	(11,079)	-	-	-	-	-
1. Transactions with Shareholders:	-	-	6,697	-	2,382	-	-	(11,079)	-	-	-	-	(66,254)
Distribution of profit:	-	-	-	-	-	-	-	(98,114)	-	-	-	-	(98,114)
To reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
To dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
On treasury shares operations	-	-	-	-	-	-	-	-	-	(4,362)	(4,362)	-	(4,362)
Incentive Plan (Note 4.12)	-	-	1,772	-	-	-	-	-	-	-	1,722	-	1,722
Others (Note 4.8.1.)	-	-	-	-	18,363	-	-	-	-	-	18,363	(12)	18,351
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

The accompanying Notes 1 to 32 and Appendix 1 and 2 are an integral part of the consolidated statement of changes in equity for 2016.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2016 AND 2015 (Thousands of Euros)

	Note	2016	2015
OPERATING ACTIVITIES:		388,637	230,911
Consolidated profit before tax from continuing operations		187,764	167,943
Adjustments for:			
Result of companies accounted for using the equity method		(902)	(258)
Depreciation and amortisation charge	6 and 8	90,247	89,885
Provisions recognised/ (reversed)		3,879	9,833
Proceeds from disposal of non-current assets	6 and 8	(255)	(1,761)
Financial profit		(10,621)	(8,086)
Net change in assets / liabilities-			
(Increase)/Decrease in inventories		(22,528)	8,367
(Increase)/Decrease in trade and other receivables		(14,837)	(6,221)
Increase/(Decrease) in trade payables		(9,585)	(67,871)
Increase/(Decrease) in other current liabilities		194,826	121,047
Increase (Decrease) in other non-current liabilities		(135)	(20,421)
Income tax paid		(40)	(69,800)
Finance income and costs		10,621	8,182
INVESTING ACTIVITIES:		(285,701)	(133,258)
Payment for investment			
Property, plant and equipment	6	(15,818)	(16,852)
Intangible assets	8	(9,077)	(13,856)
Other current financial assets		(263,057)	(106,307)
Proceeds from financial divestments			
Property, plant and equipment	6	2,251	3,077
Group companies, net of cash in consolidated companies	16	-	680
FINANCING ACTIVITIES:		(102,025)	(106,755)
Payment of dividends and remuneration of other equity instruments			
Dividends	14	(99,373)	(106,200)
Proceeds and payments of equity instruments			
Acquisition of treasury shares	14	(4,362)	(670)
Proceeds and payments for financial liability instruments			
Repayment and amortization of:			
Current borrowings		(252)	(38)
Other payables		(7)	-
Debt issuance		1,969	153
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		911	(9,102)
Cash and cash equivalents at beginning of year		22,714	31,816
Net change in cash and cash equivalents during the year		911	(9,102)
Total cash and cash equivalents at end of year		23,625	22,714

The accompanying Notes 1 to 32 and Appendix 1 and 2 are an integral part of the consolidated cash flow statement for 2016

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles 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 Consolidated Financial Statements
for the year ended
30 September 2016

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 comes to an end on 14 July 2014, and its shares are currently listed for trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

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 2015 will hereinafter be referred to as "2015", the period ended 30 September 2016 as "2016", 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 2016 and 2015 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 3 November 2015.

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 2016. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 25 October 2016. 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 2015 were formally approved by the General Shareholders' Meeting on 16 March 2016.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2016 are summarised in Note 4.

2.2 Standards and interpretations effective in the current period

In the year ended 30 September 2016 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
IAS 19 (Revised) Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendment was issued to make it possible to deduct these costs contributions of the service cost in the same period in which they are paid when certain requirements are met.	1 February 2015
Improvements to the 2010-2012 IFRS Cycles (published in December 2013).	Minor amendments to a number of standards.	1 February 2015

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 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
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)	In 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**

This IFRS 9 supersedes IAS 39, Financial Instruments: Recognition and Measurement issued by the IASB. This version replaces all the previous versions and becomes mandatorily effective for reporting periods beginning on or after January 1, 2018.

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**

This IFRS 15 supersedes IAS 11, Construction Contracts and IAS 18, Revenue.

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.

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

2.4 Information relating to 2015

As required by IAS 1, the information relating to 2015 contained in these notes to the consolidated financial statements is presented with the information relating to 2016 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2015.

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 2016, 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 assumptions used in the actuarial calculations of the pension liabilities and other obligations to employees.
- The useful life of the property, plant and equipment and intangible assets.
- The measurement and impairment of goodwill and of certain intangible assets.
- The fair value of certain assets.
- The calculation of the required provisions.
- The measurement and calculation of deferred tax assets and liabilities.

Although these estimates were made on the basis of the best information available at 2016 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, 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 2016 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 2016 and 2015 that affect the comparison between years were as follows:

1. 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. Main changes in the scope of consolidation in 2015

Additions or acquisitions

Be to Be Pharma, S.L.U. was incorporated on 23 July 2015, its sole shareholder is the subsidiary Logista Pharma, S.L.U., with share capital of EUR 3,000 divided into 300 fully subscribed and paid shares of EUR 10 par value each.

Disposals

At the Annual General Meeting on 23 March 2015, the Sole Shareholder of Logista France, S.A.S., approved the merger by absorption of the investees Logista France, S.A.S. and Strator, S.A.S. (absorbed company). Accordingly, Logista France, S.A.S. absorbed Strator, S.A.S., which was dissolved without liquidation, and thereby acquires all of its assets and liabilities by universal succession and is subrogated to all of the rights and obligations thereof, under the French regime provided for in Article 1844-5 of the French Civil Code and Article 5 of the Companies Decree of 23 March 1967. This merger became effective for accounting purposes from 1 October 2014. This transaction did not have any effect on the Group's consolidated financial statements.

On 17 April 2015 the subsidiary Logesta Gestión de Transporte, S.A.U. entered into an agreement for the sale of the ownership interest held by it in Transportes Basegar, S.A. (equal to 60% of its share capital) to Gescrap Desarrollo, S.L. The transaction amounted to EUR 680 thousand. The net loss on the transaction for consolidation purposes amounted to EUR 198 thousand, which were recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the consolidated.

On 30 June 2014, the sole shareholder of Avanzalibros, S.L.U. approved the dissolution of the company pursuant to Article 363 of the Consolidated Spanish Limited Liability Companies Law. This company was liquidated in 2015. The transaction did not have a material effect on the Group's consolidated financial statements.

On 16 July 2015 the resolutions adopted by the shareholders at the Annual General Meeting of the investee Logista Pharma, S.A.U. on the merger by absorption of Logilenia Distribuidora Farmacéutica, S.L. were executed in a public deed. Accordingly, Logista Pharma, S.A.U. absorbed Logilenia Distribuidora Farmacéutica, S.L. which was dissolved without liquidation, and acquires by way of universal succession all of its assets and liabilities and is subrogated to all the rights and obligations thereof, under the regime provided for under Article 49 of Law 3/2009, of 3 April, on structural changes to companies formed under the Spanish Commercial Code. This merger became effective for accounting purposes from 1 October 2014. This transaction did not have any effect on the Group's 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 2016, amounting to EUR 122,807 thousand, that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows (in thousands of Euros):

	2016
To voluntary reserves	3,580
Dividends	86,108
Interim dividend	33,119
Total	122,807

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 26 July 2016 the Company had EUR 87,335 thousand available, relating to EUR 10,335 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 2016 in accordance with the IFRSs in force at the date of the related financial statements are described below. None of the standards were applied early.

4.1 Property, plant and equipment

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

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

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

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

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

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

4.2 Investment property

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

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

4.3 Goodwill

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

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

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

Goodwill is not amortised. Accordingly, at the date of each consolidated balance sheet the related valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs

to sell. 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 25).

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

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

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the various markets to calculate the present value of the estimated cash flows ranged from 5.9% to 6.8% in 2016 (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 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 2016 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 2,227 thousand and EUR 2,828 thousand in 2016 and 2015 (see Note 24.b).

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

Logista France, S.A.S. has retirement obligations to its employees for which it has made provisions calculated on the basis of actuarial studies performed by independent actuaries. To cover these obligations, provisions were recognised, the amount of which is calculated each year based on the corresponding actuarial studies performed by independent experts using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 1.2% as the main assumptions (see Note 18).

On 31 January 2012 the Group approved the "2011 Medium-Term Incentive Plan" and "2011 Medium-Term Special Incentives Plan", for certain employees of the right to receive an amount estimated for each employee at the start of each plan tranche on completion of the end of the third year from the start of each of the three plan tranches and taking into consideration the growth of certain financial parameters, an estimated amount for every worker at the beginning of each tranche.

The Group distributes the total amount of the estimated incentive for each block on a straight-line basis over three years and charges it to income, "Staff Costs" in the accompanying consolidated income statement for 2016 and 2015 which include EUR 833 thousand and EUR 1,723 thousand, respectively, in this connection.

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.

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 51 beneficiaries included in the General Plan and 10 in the Special Plan. The estimated amount in this connection is recognised under "Equity" in the consolidated balance sheet and the related annual charge is included under "Staff Costs" in the consolidated income statement. The related amount 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.

The annual charge for the cost of the two tranches included under "Staff Costs" in the consolidated statement of profit or loss for the period ended 30 September 2016 amounted to EUR 1,772 thousand (2015: EUR 959 thousand relating to the first 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 275,614 treasury shares for EUR 5,032 thousand (EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015) (see Note 14-f).

On 27 September 2016, the Company's Board of Directors extended the Company's Extended Share Repurchase Programme (for up to 422,314 shares, i.e. 0.32% 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 27,463,847 thousand in 2016 and EUR 29,586,310 thousand in 2015.

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 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).

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

4.17 Consolidated statements of cash flows

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

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

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:

	2016	2015
Net profit for the year (thousands of euros)	132,079	109,193
Weighted average number of shares issued (thousands of shares) (*)	132,551	132,749
Earnings per share (euros)	1.00	0.82

(*) On 30 September the Company holds 275,614 own shares.

At 30 September 2016 and 2015, 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 2016 and 2015 were as follows:

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)
Total	202,241	(10,754)	(871)	(775)	189,841

2015

	Thousands of Euros					Balance at 30-09-15
	Balance at 30-09-14	Additions or charge for the year	Disposals or reductions	Transfers (Note 8)	Exclusions from the Scope of Consolidation	
Cost:						
Land and buildings	235,514	24	(3,958)	660	-	232,240
Plant and machinery	168,201	2,157	(1,034)	9,084	(6)	178,402
Other fixtures, tools and furniture	133,307	1,570	(1,980)	5,634	(36)	138,495
Other items of property, plant and equipment	36,558	130	(51)	1,974	(78)	38,533
Property, plant and equipment in the course of construction	12,339	12,971	(193)	(13,281)	-	11,836
	585,919	16,852	(7,216)	4,071	(120)	599,506
Accumulated depreciation:						
Buildings	(106,977)	(5,261)	3,279	-	-	(108,959)
Plant and machinery	(124,583)	(11,586)	940	(168)	6	(135,391)
Other fixtures, tools and furniture	(103,755)	(9,145)	1,830	342	32	(110,696)
Other items of property, plant and equipment	(21,872)	(1,593)	50	-	78	(23,337)
	(357,187)	(27,585)	6,099	174	116	(378,383)
Impairment losses	(18,810)	(72)	-	-	-	(18,882)
Total	209,922	(10,805)	(1,117)	4,245	(4)	202,241

Additions

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

The most notable additions in 2015 related mainly to projects currently underway in relation to safety systems at the warehouses and relating to the fleet of vehicles, the construction of a new building at the Group's head offices at Leganés (Madrid), the development of distribution centres in France 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.

In 2015, the Group has alienated the building located in Créteil (France) where the offices were located Strator, S.A.S. (merged with Logista France, S.A.S.). The transaction amounted to EUR 3 million and generated a net profit of EUR 2.7 million.

Transfers

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 Aubry (France), which had previously been recognised under "Non-Current Assets Classified as Held for Sale".

Lastly, transfers are made from "Other Intangible Assets" when information system-related projects are completed and come into service.

Impairment

No significant impairment losses recognised during 2016 or 2015.

6.2 Other disclosures

Fully depreciated items of property, plant and equipment in use at 30 September 2016 amounted to EUR 259,864 thousand (EUR 217,545 thousand at 30 September 2015).

At the end of 2016 the Group had yet to formalise the acquisition of a land lot in Alcalá de Guadaíra (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 2016 and 2015, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR thousand and EUR 67,715 thousand, and EUR 80,598 thousand, respectively.

7. Goodwill

Breakdown and significant changes

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2016 and 2015 is as follows:

	Thousands of Euros	
	30/09/16	30/09/15
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	321	321
Total	919,104	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 Bural Group, an integrated and express parcel and pharmaceutical logistics service provider, and in 2003 with the Alameda Group, a distributor of pharmaceutical supplies and food products. The information relating to the aforementioned mergers is included in the Group's consolidated financial statements for 2002 and 2003.

Goodwill impairment analysis

The assumptions used in testing for impairment were as follows:

Discount and growth rates

	2016		2015	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Italy, tobacco and related products	6.70%	0.00%	7.00%	0.00%
France, tobacco and related products	5.90%	0.00%	6.00%	0.00%
Iberia, transport	6.50%	0.00%	6.90%	0.00%
Iberia, other business: Pharma	6.00%	0.00%	7.30%	0.00%
Iberia, tobacco and related products	6.80%	0.00%	7.90%	0.00%

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

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

Other salient matters

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

- c) Iberia, transport:
- Fuel costs
- d) Iberia, other business: Pharma
- Regulation of the pharmaceutical industry.
- e) Iberia, tobacco and related products:
- Volume of cigarettes, rolling tobacco and cigars.
 - Changes in tobacco retail prices.
 - Changes in excise taxes on tobacco and VAT.
 - Investments.

Based on the methods used and the estimates, projections and valuations available to the Parent's directors, no impairment losses were recognised in relation to these assets in 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.
- 1% decrease in the growth rate.

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

8. Other intangible assets

The changes in "Other Intangible Assets" in 2016 and 2015 were as follows:

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:					
With finite useful life-					
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)
Total	660,705	(54,253)	-	(4,089)	602,363

2015

	Thousands of Euros					
	Balance at 30-09-14	Additions or charge for the year	Disposals or reductions	Transfer (Note 6)	Exclusions from the Scope of Consolidation	Balance at 30-09-15
Cost:						
With indefinite useful life- Trademarks	104	-	-	(101)	(3)	-
With finite useful life- I+D expenses	2,223	-	-	-	-	2,223
Computer software	153,182	287	(93)	14,782	(35)	168,123
Concessions, rights and licences	779,365	-	-	361	-	779,726
Advances and intangible assets in progress	18,854	13,569	-	(19,079)	-	13,344
	953,728	13,856	(93)	(4,037)	(38)	963,416
Accumulated amortisation- I+D expenses	(2,066)	(139)	-	11	2	(2,192)
Computer software	(130,396)	(9,971)	93	(208)	35	(140,447)
Concessions, rights and licences	(105,474)	(51,964)	-	(11)	-	(157,449)
	(237,936)	(62,074)	93	(208)	37	(300,088)
Impairment losses	(2,623)	-	-	-	-	(2,623)
Total	713,169	(48,218)	-	(4,245)	(1)	660,705

Additions

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

Transfers

The transfers to "Computer Software" in 2016 and 2015 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 2016 and 2015 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

At 30 September 2016 and 2015, fully amortised intangible assets in use amounted to approximately EUR 124,477 and EUR 119,966 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 2016 and 2015 is as follows:

2016

Financial Assets: Nature/Category	Thousands of Euros				
	30-09-2016				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 27)	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
Total	31,200	2,007,506	4,246	23,331	2,047,664

2015

Financial Assets: Nature/Category	Thousands of Euros				
	30-09-2015				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 27)	Short-Term Deposits and Guarantees	Available- for-Sale Financial Assets	Total
Equity instruments	-	-	-	3,891	3,891
Financial debts	1,023	-	-	-	1,023
Other financial assets	-	-	4,143	-	4,143
Non-current	1,023	-	4,143	3,891	9,057
Financial debts	31,820	1,743,488	-	-	1,755,308
Other financial assets	-	-	242	-	242
Current	31,820	1,743,488	242	-	1,775,550
Total	32,843	1,743,488	4,385	3,891	1,784,607

Loans granted to third parties

The venturers of "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 2016 totalled EUR 122,516 thousand, Compañía de Distribución Integral Logista, S.A.U. recognised EUR 30,629 thousand (2015: EUR 30,909 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 Logista in order for the latter to be able to meet its cash needs arising from its operations. In accordance with this agreement, Logista, S.A.U. will lend, on a daily bases, its cash surpluses to Imperial Brands Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations.

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

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.

10. Inventories

The detail of the Group's inventories at 30 September 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Tobacco	993,352	983,240
Published materials	12,634	10,078
Other merchandise	86,629	76,769
Write-downs	(6,786)	(9,585)
Total	1,085,829	1,060,502

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 2016, for a total amount of EUR 394,452 thousand (2015: EUR 395,168 thousand).

The write-down in year 2016 and 2015 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 2014	11,804
Period write-downs	3,620
Reversals	(2,061)
Amounts used	(3,778)
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

At 30 September 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 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Trade receivables for sales and services	1,781,826	1,764,987
Related companies (Note 27)	7,906	6,077
Sundry accounts receivable	41,882	44,258
Employee receivables	709	1,083
Less- Allowances for doubtful debts	(55,161)	(60,409)
	1,777,162	1,755,996

The changes in the "Allowances for Doubtful Debts" in 2016 and 2015 are as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2014	57,160
Period write-downs	6,411
Reversals	(2,438)
Amounts used	(645)
Changes in the Scope of Consolidation	(79)
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

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

At 30 September 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 2016 and 2015 is as follows:

Tranche	Thousands of Euros	
	2016	2015
0-30 days	30,176	33,020
30-90 days	10,433	10,735
90-180 days	4,666	4,399
180-360 days	1,214	2,109
More than 360 days	729	2,156

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 2016 and 2015 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 2016 (0.80% in 2015).

13. Equity

At the end of 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.

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

At 30 September 2016, 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 2016, the Group had a net cash position amounting to EUR 2,029 million (30 September 2015: EUR 1,767 million), the detail being as follows:

	Thousands of Euros	
	2016	2015
Bank borrowings	-	(7)
Other current financial liabilities	(33,627)	(31,658)
Gross debt	(33,627)	(31,665)
Current financial assets (Note 9)	2,039,101	1,775,550
Cash and cash equivalents	23,625	22,714
Financial assets and cash	2,062,726	1,798,264
Total net financial position	2,029,099	1,766,599

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 2016 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 1,772 thousand in 2016 (2015: EUR 959 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 16 March 2016, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2015, 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 31,860 thousand, together with a final dividend of EUR 66,254 thousand.

On 26 July 2016, the Parent's Board of Directors approved the distribution of an interim dividend of EUR 0.25 per share out of the profit for 2016, totalling EUR 33,119 thousand, which was paid on 29 August 2016.

f) Treasury shares

To cater for the two tranches of the long-term share-based incentive scheme and pursuant to the authorisation granted by the Board of Directors, the Group acquired 275,614 treasury shares for EUR 5,032 thousand (EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015).

15. Reserves at consolidated companies

The detail of "Reserves of Group Companies and Associates" in the consolidated balance sheets at 30 September 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Reserves in fully consolidated companies	224,948	209,033
Reserves in companies consolidated by the equity method	(1,034)	(4,535)
Total	223,914	204,498

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			
	2016		2015	
	Minority Interests	Income Attributable To Minority Shareholders	Minority Interests	Income Attributable To Minority Shareholders
Distribuidora Valenciana de Ediciones, S.A.	360	(46)	412	28
Terzia, S,p,A.	1,390	348	1,042	197
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	49	6	50	6
Transportes Basegar, S.L. (Note 2.7.5)	-	-	-	105
Distribuidora de Publicaciones del Sur, S.L.	174	21	153	30
Others entities	159	-	158	51
Total	2,132	329	1,185	417

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 2016 the level of credit risk exposure of its financial assets is not significant.

Interest rate risk

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

In accordance with the disclosure requirements of IFRS 7, the Group performed a sensitivity analysis in relation to the possible interest rate fluctuations which might occur in the markets in which it operates. Based on these requirements, the Group considers that each interest rate drop of 10 basis points would give rise to a decrease in the Group's finance income of EUR 1.7 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 26).

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, as a result of the difference between the average collection and payment periods, at 30 September 2016, the Group had a working capital deficiency amounting to EUR 922,945 thousand (30 September 2015: EUR 1,025,491 thousand).

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

18. Provisions

The detail of the balance of short- and long-term provisions in the accompanying consolidated balance sheets at 30 September 2016 and 2015 and of the main changes therein in the periods is as follows:

2016

	Thousands of Euros					
	Balance at 30-09-15	Additions	Reversions	Provisions Used	Transfers	Balance at 30-09-16
Customs and excise duty assessments	13,576	360	-	(8,440)	-	5,496
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	6,554	1,229	(328)	(1,349)	311	6,417
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

2015

	Thousands of Euros					Balance at 30-09-15
	Balance at 30-09-14	Additions	Reversions	Provisions Used	Transfers	
Customs and excise duty assessments	16,478	516	-	(3,418)	-	13,576
Obligations to employees	14,124	2,469	(17)	(775)	(200)	15,601
Provision for restructuring costs	2,483	-	-	(583)	-	1,900
Provision for contingencies and charges	15,307	130	(9,279)	(778)	-	5,380
Other	6,886	1,671	(989)	(670)	(344)	6,554
Non-current provisions	55,278	4,786	(10,285)	(6,224)	(544)	43,011
Provision for restructuring costs	10,737	8,925	-	(9,384)	-	10,278
Customer Refunds	2,453	197	-	-	-	2,650
Other	2,959	3,832	(1,514)	(2,420)	1,010	3,867
Current provisions	16,149	12,954	(1,514)	(11,804)	1,010	16,795

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.

During 2015, the Company has paid EUR 3,418 thousand related to the customs duty and import VAT 2003, and debited to the related provision accrued for in prior years for this purpose. Also during the same period has 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 2015, 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 2016 which amounts to EUR 2,137 thousand; EUR 1,329 thousand were recorded with a charge to "Reserves of Consolidated Companies", since they relate to changes in the actuarial assumptions used to calculate the present value of the total obligation assumed by those companies (EUR 1,124 thousand in 2015).

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 2016 and 2015, provisions were recognised amounting to EUR 4,167 thousand and EUR 8,925 thousand, respectively, and indemnity payments were made amounting to EUR 6,855 thousand and EUR 9,967 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 contingencies and charges

This heading includes mainly the various litigation proceedings in progress involving the Group and third parties. In 2016 provisions were reversed amounting to EUR 4,481 thousand since the favourable judgments received by the Group had been made final.

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.

19. Tax matters

Consolidated Tax Group

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

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

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

Law 27/2014 introduced certain amendments to tax legislation in relation to income tax was published in Spain on 27 November 2014, and came into force on 1 January 2015. The principal change introduced, which directly affects the amount of deferred tax assets recognised by the Parent at 30 September 2016, arises from the reduction in the standard tax rate from 30% to 28% for the tax period beginning immediately following 1 January 2015 and to 25% for the tax periods beginning on or after 1 January 2016.

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 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.

In 2015 tax assessments amounting to EUR 3.2 million and EUR 9.4 million were issued and signed on a contested basis in relation to the tax audits of foreign trade activity tax for 2012 and 2013, respectively. The Group provided a guarantee for the first assessment and paid and appealed against the second (see Note 18).

Tax receivables and payables

The detail of the tax receivables at 30 September 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Deferred tax assets:		
Provision for restructuring costs	1,942	6,615
Goodwill	2,701	8,789
Impairment losses and other	9,205	10,933
Provision for third-party liability	2,655	3,438
Other deferred tax assets	5,896	11,129
	22,399	40,904
Tax receivables (current):		
VAT refundable	6,497	8,915
Income tax refundable	902	526
Other	197	2,494
	7,596	11,935

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 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Deferred tax liabilities:		
Assets contributed by Logista	650	732
Revaluation of land owned by the Parent (Note 14-d)	7,125	7,125
Goodwill	83,615	85,180
Business Combination	214,252	230,732
Other	23,075	4,362
	328,717	328,131
Tax payables (current):		
Excise duty on tobacco products	3,771,386	3,624,775
VAT payable	925,012	888,973
Customs duty settlements	4,592	4,801
Income tax, net of prepayments	28,896	26,835
Personal income tax withholdings	3,693	3,716
Social security taxes payable	15,204	16,827
Tax retention to tobacconists (France)	31,353	30,002
Other	4,841	5,054
	4,784,977	4,600,983

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.

Until 2011, each year Compañía de Distribución Integral Logista, S.A.U decreased its taxable profit by one twentieth of the implicit goodwill included in the acquisition price of its subsidiary in Italy. These reductions are considered to be temporary differences. On 30 March 2012, Royal Decree-Law 12/2012 came into force, introducing various tax and administrative measures aimed at reducing the public deficit. These measures include limiting the tax deductibility of such goodwill to 1% per year.

Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the aggregate taxable profit and of the accounting profit before tax to the income tax expense resulting from the application of the standard tax rate in force in Spain for the years ended 30 September 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Accounting profit before tax	187,764	167,943
Permanent differences	(2,423)	(13,472)
Tax charge at 28%/30%	51,895	46,341
Effect of different tax rates	12,467	10,621
Corporation tax adjustments	(8,940)	-
Tax adjustment and Other adjustments	(1,594)	(678)
CVAE France	2,650	3,023
Reductions	(1,243)	(1,274)
Total income tax expense recognised in consolidated profit or loss	55,236	58,033

(*) In the income tax settlement for 2015 the Company applied Article 30 of the Consolidated Spanish Income Tax Law and excluded from the tax base a portion of the dividends received in that year. It also recognised an item of deferred tax based on the ownership interest in Altadis, S.A.U. that was sold in the public offering in 2014.

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%, although temporary certain companies were taxed at 38%.
- 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 26.5%, and there is an obligation to make pre-payments even if an entity is reporting a loss.
- Poland: the income tax rate is 19%.

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2016	2015
Current tax:		
Continuing operations	36,401	69,359
Deferred tax:		
Continuing operations	17,807	(2,675)
Tax adjustment and others	1,028	(8,651)
Total tax expense	55,236	58,033

Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2016 and 2015 are as follows:

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	6,615	931	(280)	7,266
Goodwill	8,789	(6,006)	(83)	2,700
Impairment losses and other	10,933	(6,781)	(266)	3,886
Provision for third-party liability	3,438	(540)	(244)	2,654
Other deferred tax assets	11,129	(5,081)	(155)	5,893
	40,904	(17,477)	(1,028)	22,399
Deferred tax liabilities:				
Assets contributed by Logista	(732)	83	-	(649)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(82,080)	(1,534)	-	(83,614)
Business combination	(233,832)	19,270	-	(214,562)
Other	(4,362)	(18,149)	(256)	(22,767)
	(328,131)	(330)	(256)	(328,717)

2015

	Thousands of Euros			
	Balance at 30/09/14	Change in profit or loss	Tax rate adjustments	Balance at 30/09/15
Deferred tax assets:				
Provision for restructuring costs	12,477	(5,331)	(531)	6,615
Goodwill	12,747	(2,785)	(1,173)	8,789
Impairment losses and other	17,143	(4,984)	(1,226)	10,933
Provision for third-party liability	3,064	391	(17)	3,438
Other deferred tax assets	13,531	(1,621)	(781)	11,129
	58,962	(14,330)	(3,728)	40,904
Deferred tax liabilities:				
Assets contributed by Logista	(884)	27	125	(732)
Revaluation of land	(8,550)	-	1,425	(7,125)
Goodwill	(92,540)	(325)	10,785	(82,080)
Business combination	(253,382)	19,550	-	(233,832)
Other	(2,159)	(2,247)	44	(4,362)
	(357,515)	17,005	12,379	(328,131)

Tax credit and tax loss carryforwards

At 30 September 2016, the Group did not have any unused tax credits.

The Group's tax loss carryforwards at the end of 2016 were basically as follows:

- Spain: the tax losses not yet offset amount to EUR 4.7 million and were incurred mainly by Distribuidora de Ediciones, S.A.
- Portugal: the tax losses not yet offset amount to EUR 7.4 million and were incurred mainly by Logista Transportes, Transitarios e Pharma, Lda.
- Poland: the tax losses not yet offset amount to EUR 4.6 million.

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 "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas", which amounted to EUR 30,629 thousand at 30 September 2016 (30 September 2015: EUR 30,909 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 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Accounts payable for purchases and services	689,885	716,810
Notes payable	18,448	18,685
Payable to related companies (Note 27)	179,566	162,142
Advances received on orders	156	3
	888,055	897,640

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2016 and 2015 was approximately 38 days (40 days in 2015).

22. Other current liabilities

At 30 September 2016 and 2015 "Other Current Liabilities" includes mainly the remuneration payable to the employees of the various Group companies, deferred liabilities and other non-trade payables as well as a bank deposit received on the part of customers, amounted EUR 77,278 thousand (2015: EUR 51,772 thousand).

23. Guarantee commitments to third parties

At 30 September 2016, the Group has been provided with bank guarantees totalling EUR 158,520 thousand (30 September 2015: EUR 171,865 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 2016 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2016, 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.

24. Income and expenses

a) Income

The detail of "Revenue" in the consolidated income statements for 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Iberia	2,639,929	2,576,708
Italy	2,611,200	2,518,937
France	4,410,789	4,406,866
Corporative	10,408	10,976
Adjustment due to inter-segment sales	(40,322)	(42,497)
Total	9,632,004	9,470,990

b) Staff costs

The detail of the Group's "Staff Costs" in 2016 and 2015 is as follows:

	Thousands of Euros	
	2016	2015
Wages, salaries and similar expenses	185,270	181,142
Termination benefits	5,041	13,136
Employer social security costs	61,638	61,488
Other employee benefit costs (Note 4.12)	2,227	2,828
Other social costs	13,939	12,980
	268,115 (*)	271,574 (*)

(*) "Research Expenditure" includes EUR 1,304 thousand and EUR 1,357 thousand of staff costs in 2016 and 2015, respectively.

The average number of employees at the Group, by professional category, in 2016 and 2015, as well as the number of employees as of 30 September 2016 and 30 September 2015 was as follows:

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
TOTAL	4,729		816		4,730		864	

2015

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/15			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	22	2	-	-	20	2	-	-
Line personnel and clerical staff	1,449	1,144	119	138	1,458	1,142	160	160
Messengers	1,556	592	354	86	1,527	776	379	81
	3,027	1,738	473	244	3,005	1,920	578	241
TOTAL	4,765		697		4,925		780	

The average number of disabled employees with a handicap higher than 33% at the Group in 2016 and 2015 was 69 and 62, respectively.

Remuneration of senior executives

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

The remuneration earned in 2016 by the members of the Management Committee of the Parent amounted to EUR 5,160 thousand (2015: EUR 5,480 thousand). The aforementioned amounts include the amounts vested in the members of the Management Committee in 2016 and 2015 under the incentive plan described in Note 4.12.

The period contributions to the pension plans for members of the Management Committee for 2016 and 2015 amounted to EUR 36 thousand and 45 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	
	2016	2015
Leases	(32,698)	(32,867)
Security and cleaning	(14,558)	(14,950)
Utilities	(16,936)	(17,615)
Other operating expenses (*)	(111,551)	(88,018)
Total	(175,743)	(153,450)

Commercial expenses

	Thousands of Euros	
	2016	2015
Leases	(2,433)	(2,490)
Security and cleaning	(16)	(15)
Utilities	(1,188)	(662)
Other operating expenses	(17,869)	(18,905)
Total	(21,506)	(22,072)

Head Office costs

	Thousands of Euros	
	2016	2015
Leases	(4,201)	(4,684)
Security and cleaning	(624)	(718)
Utilities	(369)	(473)
Other operating expenses (*)	(14,278)	(27,828)
Total	(19,472)	(33,703)

(*) In 2016 IT expenditure was reclassified to logistics network costs with the exception of those costs directly relating to head office functions.

d) Operating leases

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

	Thousands of Euros	
	2016	2015
Within one year	(28,236)	(24,345)
Between one and five years	(60,667)	(60,507)
More than five years	(9,120)	(14,657)
Total	(98,023)	(99,509)

e) Finance income

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

	Thousands of Euros	
	2016	2015
Interest income (Note 27)	12,367	10,897
Other finance income	2,153	1,473
	14,520	12,370

f) Finance expenses

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

	Thousands of Euros	
	2016	2015
Accrual for late payment interests and financial update of provisions (Note 18)	(360)	(516)
Other financial costs	(3,539)	(3,768)
	(3,899)	(4,284)

g) Other disclosures

In 2016 and 2015 the fees for financial audit and other services provided by the Company's consolidated financial statements auditor, Deloitte, S.L., or by a company related to such auditor as a result of a relationship of control, common ownership or common management, as well as the fees for services invoiced by other auditors of the stand-alone financial statements of companies under the scope of consolidation, and the companies related to such other auditors as a result of a relationship of control, common ownership or common management were as follows (in thousands of Euro):

	Services rendered by the main auditor		Services rendered by other auditors	
	2016	2015	2016	2015
Audit services	1,139	1,014	15	228
Other attest services	44	57	82	-
Total audit and related services	1,183	1,071	97	228
Transfer pricing counselling services	200	88	-	-
Authorised Economic Operator	50	-	-	-
Other services	91	40	-	-
Total professional services	1,524	1,199	97	228

25. 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	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue:										
External sales	2,639,929	2,576,708	2,611,200	2,518,937	4,410,789	4,406,866	10,408	10,976	9,672,326	9,513,487
Tobacco and related products	2,270,963	2,218,194	2,611,200	2,518,937	4,207,879	4,193,016	10,408	10,976	9,100,450	8,941,123
Transport	329,911	329,489	-	-	-	-	-	-	329,911	329,489
Other businesses	129,906	116,466	-	-	209,277	221,577	-	-	339,183	338,043
Other adjustments	(90,851)	(87,441)	-	-	(6,367)	(7,727)	-	-	(97,218)	(95,168)
Inter-segment sales									(40,322)	(42,497)
Total revenue	2,639,929	2,576,708	2,611,200	2,518,937	4,410,789	4,406,866	10,408	10,976	9,632,004	9,470,990
Procurements:										
External procurements	(2,133,319)	(2,087,239)	(2,366,308)	(2,288,758)	(4,128,951)	(4,122,716)	-	-	(8,628,578)	(8,498,713)
Inter-segment procurements									34,656	37,793
Total procurements	(2,133,319)	(2,078,239)	(2,366,308)	(2,288,758)	(4,128,951)	(4,122,716)	-	-	(8,593,922)	(8,460,920)
Gross profit:										
External gross profit	506,610	489,469	244,892	230,179	281,838	284,150	10,408	10,976	1,043,748	1,014,774
Tobacco and related products	248,351	245,135	244,892	230,179	236,335	238,566	10,408	10,976	739,986	724,856
Transport	227,286	220,221	-	-	-	-	-	-	227,286	220,221
Other businesses	73,592	66,355	-	-	50,524	51,734	-	-	124,116	118,089
Other and adjustments	(42,619)	(42,242)	-	-	(5,021)	(6,150)	-	-	(47,640)	(48,392)
Inter-segment gross profit									(5,666)	(4,704)
Total gross profit	506,610	489,469	244,892	230,179	281,838	284,150	10,408	10,978	1,038,082	1,010,070
Profit (Loss):										
Segment result	89,787	91,588	72,150	62,405	25,893	17,746	(11,591)	(12,140)	176,241	159,599
Share of results of associates	-	-	-	-	-	-	-	-	902	258
Profit (Loss) from operations	89,787	91,588	72,150	62,405	25,893	17,746	(11,591)	(12,140)	177,143	159,857

Inter-segment sales are made at prevailing market prices.

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

	Iberia		Italy		France		Corporate and others		Total Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Other disclosures:									
Additions to non-current assets	18,210	19,106	2,351	5,064	4,318	6,488	14	63	24,893	30,721
Depreciation and amortisation charge	(24,945)	(24,544)	(7,427)	(7,801)	(57,786)	(57,383)	(89)	(157)	(90,247)	(89,885)
Balance sheet:										
Assets-										
Property, plant and equipment, investment properties and non-current assets held for sale	141,277	140,434	21,911	27,466	45,272	47,780	213	284	208,673	215,964
Other non-current assets	60,708	79,945	693,593	676,005	818,143	874,284	5	14	1,572,449	1,630,248
Inventories	398,715	390,051	260,508	222,954	426,606	447,497	-	-	1,085,829	1,060,502
Trade receivables	494,956	490,458	344,965	336,389	935,891	928,304	1,350	845	1,777,162	1,755,996
Other current assets									2,078,704	1,815,323
Total consolidated assets									6,722,817	6,478,033
Liabilities-										
Non-current liabilities	109,335	97,844	54,029	40,661	221,308	237,786	-	-	384,672	376,291
Current liabilities	1,427,369	1,371,511	1,710,043	1,681,189	2,726,689	2,603,705	539	907	5,864,640	5,657,313
Equity									491,868	444,430
Total consolidated liabilities									6,722,817	6,478,033

26. Foreign currency transactions

The Logista Group's foreign currency transactions in 2016 and 2015, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2016	2015
Sales	13,098	16,115
Purchases	6,124	9,099
Services received	5,935	4,920

27. Balances and transactions with related parties

The balances at 30 September 2016 and 2015 with related companies were as follows:

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

2015

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	1,575	26,386	-
Altadis Canarias, S.A.	-	655	6,918	-
Imperial Tobacco Enterprise Finance Limited	1,737,144	-	142	-
Imperial Tobacco International Limited	-	512	18,147	-
Imperial Tobacco España, S.L.U.	6,344	-	-	-
Seita, S.A.S.	-	1,024	82,368	-
Imperial Tobacco Italia, Srl	-	215	24,858	-
Others	-	2,096	3,324	449
	1,743,488	6,077	162,143	449

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

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 2016 and 2015 were as follows:

2016

	Thousands of Euros			
	Operating Income	Finance Results	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	-	1	-
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
Total	45,108	12,367	956,730	783

2015

	Thousands of Euros			
	Operating Income	Finance Results	Purchases	Other Operating Expenses
Altadis, S.A.U.	7,511	-	397,815	21
Altadis Canarias, S.A	5,990	-	40,444	-
Tabacalera S.L. Central Overheads	4,592	-	-	-
Imperial Tobacco Italy, s.r.l.	1,627	-	65,111	-
Imperial Tobacco Polska, S.A.	3,158	-	6	-
Imperial Tobacco Manufacturing Polska, S.A.	1,405	-	1	-
Imperial Tobacco Enterprise Finance Limited	-	10,883	-	-
Imperial Tobacco International Limited	1,880	-	34,730	-
Imperial Tobacco Portugal SPPLC	928	-	-	-
Macotab, S.A.S.	-	-	-	378
SEITA, S.A.	8,045	-	443,153	165
Others	9,137	14	357	154
Total	44,273	10,897	981,617	718

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.

28. Remuneration of directors

Remuneration of the Parent's directors

In 2016 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 3,842 thousand (2015: EUR 3,439 thousand).

In addition, the employer contributions to pension plans for the executive directors amounted to EUR 11 thousand in 2016 and 2015.

The life insurance premium corresponding to the Board of Directors amounted to EUR 15 and 9 thousand in 2016 and 2015, respectively.

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.

29. 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.

As permitted by the Single Additional Provision of the aforementioned Resolution, since this is the first reporting period in which it is applicable, no comparative information is presented.

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

	Thousand Euros
Total payments made	9,359,034
Total payments outstanding	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.

30. 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.

31. Events after the reporting period

No significant events have occurred subsequent since the end of 2016.

32. 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:

2016

Company	Audit Firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			Profit/Loss
			Direct	Indirect		Assets	Liabilities	Equity	
Compañía de Distribución Integral Logista, S.A.U. (a) Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	969,596	4,340,263	4,076,729	263,534	110,309
Distributrice, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	2,420	46,063	43,526	2,537	1,057
Publicaciones y Libros, S.A.U. (a)	No auditada	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	923	2,583	1,919	664	(17)
Distribuidora del Noroeste, S.L. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	530	3,351	3,519	(168)	(566)
Distribución de Publicaciones Siglo XXI Guadaluajara, S.L. (a)	Deloitte	Gandarrón, 34 Interior- Vigo	-	100	271	2,524	1,194	1,330	101
Distribuidora de Publicaciones del Sur, S.L. (a)	No auditada	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadaluajara)	-	80	64	924	676	248	29
Promotora Vascongada de Distribuciones, S.A. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2. Módulo 4 (Sevilla)	-	50	5	2,824	2,500	324	43
Distribuidora de las Rías, S.A. (a)	No auditada	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	-	525	545	(20)	(62)
Distribuidora Valenciana de Ediciones, S.A. (a)	No auditada	Polígono P.O.CO.MA.CO. Parcela D-28. 1.a Coruña	-	100	251	1,207	1,086	121	31
Cyberpoint, S.L.U. (e)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia	-	50	-	3,403	2,673	730	(91)
Distribuidora del Este, S.A.U. (a)	No auditada	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	76	64	6	58	9
S.A.U. Distribuidora de Ediciones (a)	Deloitte	Calle Saturno, 11. Alicante	-	100	369	1,681	1,152	529	2
La Mancha 2000, S.A.U. (a)	BDO	C/ B, Sector B Polígono Zona Franca Barcelona	-	100	3,513	10,219	7,358	2,861	557
Midsid - Sociedade Portuguesa de Distribuicao, S.A. (a)	Deloitte	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadaluajara (Portugal)	-	100	1,352	2,303	600	1,703	92
Logista-Dis, S.A.U. (b)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	741	39,529	36,952	2,577	1,521
Logista Gestão de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,202	19,616	18,797	819	(359)
Logesta Italia, s.r.l.(d)	Colegio Sindacale	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	4,510	28,308	26,463	1,845	4,630
Logesta Lusa Lda (d)	No auditada	Via in Arcione 98. Roma	-	100	100	10,277	8,818	1,459	1,339
Logesta Polska Sp. z o.o. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	32	72	19	53	(8)
Logesta Deutschland GmbH (a)	No auditada	Równina, Toruń, Polonia	-	100	128	833	554	279	42
		PIlotystr 4. 80538-München-(Alemania)	-	100	100	480	20	460	224

Company	Audit Firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Direct	Indirect		Data on the Companies			
						Assets	Liabilities	Equity	Profit/Loss
Logesta France, s.a.r.l.(d)	No auditada	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/ Entrerrios, 3. Las Palmas de Gran Canaria	-	100	1,657	6,435	2,309	4,126	1,129
Logista Pharma, S.A.U. (f)	Deloitte	Poligono 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 auditada	C/ Trigo, 39. Poligono Industrial Polvoranca. Leganés	-	100	3	523	440	83	108
Logista Italia, S.p.A. (b)	Deloitte	Via Valadiez, 37. Roma (Italia)	-	100	605,629	1,792,503	1,701,610	90,893	56,747
Terzia, S.p.A. (a)	Deloitte	Via Valadiez, 37. Roma (Italia)	-	100	166	28,201	26,160	2,041	1,083
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palthava. 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 Allumetiere Française, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade/77400 Saint-Thibault-des-Vignes - Francia	-	100	22,128	125,610	26,456	99,154	5,134
Supergroup, S.A.S. (d)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade/77400 Saint-Thibault-des-Vignes - Francia	-	100	7,986	36,949	31,747	5,202	(3,494)

- (a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal,
- (b) These companies engage in the purchase and sale of consumer products.
- (c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.
- (d) These companies' object is the performance of transport activities.
- (e) This company 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

Company	Audit Firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			Profit/Loss
			Direct	Indirect		Assets	Liabilities	Equity	
Compañía de Distribución Integral Logista, S.A.U. Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	969,596 2,420	4,091,104 44,438	3,828,046 42,959	263,058 1,479	74,799 (362)
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	923	2,592	1,911	681	(26)
Publicaciones y Libros, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	50	530	3,534	3,136	398	(754)
Distribuidora del Noroeste, S.L. (a)	BDO	Gardarón, 34 Interior- Vigo	-	100	271	4,301	3,072	1,229	81
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	986	739	247	28
Distribuidora de Publicaciones del Sur, S.L. (a)	BDO	Polígono Ind. ZAL, Ctra. De las Escuelas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	5	2,876	2,595	281	60
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/ Guipuzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	-	634	592	42	(29)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono P.O.CO.MA.CO, Parcela D-28. La Coruña	-	100	251	1,462	1,090	372	27
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia	-	50	-	3,619	2,788	831	56
Cyberpoint, S.L.U. (e)	No audit	C/ Electricistas. 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)	-	100	76	73	7	66	(7)
Distribuidora del Este, S.A.U. (a)	BDO	Calle Saturno, 11. Alicante	-	100	369	1,518	991	527	(8)
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca Barcelona	-	100	3,513	10,008	7,010	2,998	694
La Mancha 2000, S.A.U. (a)	BDO	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara	-	100	1,352	2,864	583	2,281	71
Midsid - Sociedade Portuguesa de Distribuição, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	741	35,337	34,281	1,056	214
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,202	14,379	13,201	1,178	(455)
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	4,510	28,940	20,880	8,060	3,296
Logesta Italia, s.r.l.(d)	Collegio Sindacale	Via in Arcione 98. Roma	-	100	100	9,540	7,699	1,841	1,045
Logesta Luisa Ltda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	32	79	18	61	(26)
Logesta Polska Sp. z o.o. (a)	No audit	Filory nr 9, lok 6. kod-00-586 Warszawa-(Polonia)	-	100	128	2,635	1,009	1,626	657
Logesta Deutschland GmbH (a)	No audit	Pilobystr 4. 80538- München-(Alemania)	-	100	100	870	349	521	204
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	2,152	892	1,260	30

Company	Audit Firm	Location	% of ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Direct	Indirect		Assets	Data on the Companies		
							Liabilities	Equity	Profit/Loss
Dronas 2002, S.L.U. (c) T2 Gran Canaria, S.A.U. (c)	Deloitte Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29, Sant Andreu de la Barca Urbanización El Cebadal. C/ Entrerrios, 3. Las Palmas de Gran Canaria	-	100	21,292	102,051	67,920	34,131	8,963
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca	-	100	937	28,356	22,415	5,941	377
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	3	15	40	(25)	(27)
Logista Italia, S.p.A. (a)	Collegio Sindacale	Via Valadiez, 37. Roma (Italia)	-	100	605,629	1,766,425	1,682,618	83,807	48,857
Terzia, S.p.A. (e)	Collegio Sindacale	Via Valadiez, 37. Roma (Italia)	-	100	166	11,679	10,721	958	616
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	240	7,929	7,776	153	244
Compañía de Distribución Integral Logista Polska, Sp.z.o.o. (a)	No audit	Al. Jerzolimskie 133. Warszawa, Polonia	-	100	527	1,448	921	527	315
Logista France, S.A.S. (a)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes	-	100	920,161	17,459	6,482	10,977	-
Société Allumetiére Française, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade 77400 Saint-Thibault- des-Vignes	-	100	22,128	143,935	29,912	114,023	2,741
Supergroup, S.A.S. (d)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade 77400 Saint-Thibault- des-Vignes	-	100	7,986	74,256	65,559	8,697	(1,942)

- (a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal.
(b) These companies engage in the purchase and sale of consumer products.
(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics.
(d) These companies' object is the performance of transport activities.
(e) This company 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

Appendix II

Logista Group Associates

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

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, Guadalaajara	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.

2015

Company	Audit Firm	Location	Activity	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
				Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Dima Distribución Integral, S.L., (*) Logista Libros, S.L.U (**)	Deloitte Deloitte	Poligono Industrial Los Olivos, C/ Confianza, 1, Getafe, Madrid Avda Castilla La Mancha, 2, Nave 3-4 Poligono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalaajara	Distribution and dissemination of publications Distribution and dissemination of publications	-	12,56 50	- -	17,628 42,287	36,404 39,434	(18,776) 2,853	(203) 2,841
Logesta Maroc, S.A. (***)	Not audited	87 Rue Ahmed El Casablanca (Marruecos)	Transport	-	34	-	54	-	54	-

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

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

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

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

Consolidated Directors Report for
financial year
ended on September 30th 2016

1. EVOLUTION OF GRUPO LOGISTA IN 2016 AND POSITION OF THE GROUP.

The Group recorded during fiscal year 2016 a very positive evolution of results. Main highlights:

- Revenues growing by 1.7%
- Economic Sales¹ up by 2.8%
- Adjusted Operating Profit recorded growth 5.3% while Profit from Operations grew by 10.8%
- Important growth recorded by Net Income, up by 21.0%

FINANCIAL OVERVIEW

<i>Data in million euros</i>	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015	% Change
Revenues	9,632.0	9,471.0	1.7%
Economic Sales	1,038.1	1,010.1	2.8%
Adjusted Operating Profit	234.8	222.9	5.3%
<i>Margin over Economic Sales</i>	22.6%	22.1%	+50 b.p.
Profit from operations	177.1	159.9	10.8%
Net Income	132.1	109.2	21.0%

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

During fiscal year 2016, the macroeconomic situation in the main countries where the Group operates was relatively stable with GDP growth rates similar or even slightly higher to those observed in the last quarter of fiscal year 2015.

However, a number of factors contributed along the year to increase the uncertainties that could lead to a potential slowing down in the recovery rate. Among these factors is the slowdown of the Chinese economy, the constant volatility of oil price, the weakness of some indicators in the first half of the year in the United States, the concerns about the German banking sector and the fears for the impact that the UK leaving the European Union might have.

Some other factors in our countries added to the general factors mentioned: the difficulties to form a Government in Spain after two elections, the social conflict derived from the labour law reform and being the target of various terrorist attacks in the case of France and the situation of the banking system in Italy.

In that context, the recurring activity of the Group during the year recorded a positive performance across the three geographical segments that translated into Revenues, Economic Sales (except France) and Adjusted EBIT growth.

Nonetheless, the positive effect during the second quarter last year of non-recurring elements in the Iberia segment, translated into a negative yearly comparison in the reported results in this segment.

At the **Revenues** level, the growth in Tobacco and related in all geographies and in the Pharma business in Iberia more than offset the drop in Revenues from Other business in France.

The performance of tobacco volumes distributed by the Group (cigarettes and RYO) during the fiscal year was positive, reaching a +0.5% above the volumes distributed in fiscal year 2015 and reverting the trend recorded during that fiscal year when the yearly variation vs. fiscal year 2014 was -0.4%.

During the fourth quarter, the cigarette and RYO distributed volumes recorded a slight decline of 0.4%, compared to a 1.1% yearly rise recorded in the fourth quarter last fiscal year. This performance was mainly caused by the reduction of volumes in Italy as a consequence, probably, of the retail selling price increase during the third quarter.

Retail selling prices did not change in Spain and France in the fiscal year, whereas in Italy tobacco manufacturers raised the price per pack in the third quarter. In the preceding fiscal year, during the second quarter retail selling price increases occurred in Spain and Italy.

Economic Sales grew in the three segments in most of the activities, recording the most significant growths in Pharma, Transport and Tobacco and related in Iberia and Italy. These growths offset the reduction in the activity in the France segment.

As is customary in the Group, the cost control and the measures to improve efficiency resulted in total operating costs growing by 2.0% well below the growth experienced by the Economic Sales figure despite the fact that during the same period of the preceding year the release of some provisions positively impacted the total operating costs figure. Not considering this non-recurring positive effect past year, the operating costs increased only by 1.0%.

The **Adjusted EBIT** grew by 5.3% and the Adjusted EBIT margin over Economic Sales reached 22.6% compared to the 22.1% obtained in fiscal year 2015.

The lower restructuring costs recorded in this fiscal year (€6.6 million) compared to the same period in the preceding year (€12.7 million) boosted the Profit from operations that increased progressed by 10.8%.

Despite the decline experienced by the European Central Bank main interest rate the Financial Result grew by 31.4% due to a higher average cash position and to the improvement of results from a Group's affiliate, the electronic bank ITB, providing service to the tobacco channel in Italy.

The Corporate Income Tax rate reduced to 29.4% mainly from the lower nominal corporate income tax rate in Spain as well as from the lower effective rate compared to the one recorded in the previous fiscal year

Net Income increased by 21.0%, representing €1.00 per share vs. €0.82 obtained by the Group in fiscal year 2015.

Revenues Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015	% Change
Iberia	2,639.9	2,576.7	2.5%
Tobacco & Related	2,270.9	2,218.1	2.4%
Transport Services	329.9	329.5	0.1%
Other Businesses ³	129.9	116.5	11.5%
Adjustments	(90.8)	(87.4)	(3.9)%
France	4,410.8	4,406.9	0.1%
Tobacco & Related	4,207.9	4,193.0	0.4%
Other Businesses	209.3	221.6	(5.6)%
Adjustments	(6.4)	(7.7)	17.6%
Italy	2,611.2	2,518.9	3.7%
Tobacco & Related	2,611.2	2,518.9	3.7%
Corporate & Others	(29.9)	(31.5)	5.1%
Total Revenues	9,632.0	9,471.0	1.7%

Economic Sales Evolution (By Segment and Activity)

<i>Data in million euros</i>	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015	% Change
Iberia	506.7	489.5	3.5%
Tobacco & Related	248.4	245.1	1.3%
Transport Services	227.3	220.2	3.2%
Other Businesses	73.6	66.4	10.9%
Adjustments	(42.6)	(42.2)	(0.9)%
France	281.8	284.2	(0.8)%
Tobacco & Related	236.3	238.6	(0.9)%
Other Businesses	50.5	51.7	(2.3)%
Adjustments	(5.0)	(6.2)	18.4%
Italy	244.9	230.2	6.4%
Tobacco & Related	244.9	230.2	6.4
Corporate & Others	4.7	6.3	(24.4)%
Total Economic Sales	1,038.1	1,010.1	2.8%

Adjusted EBIT Evolution (By Segment)

<i>Data in million euros</i>	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015	% Change
Iberia	95.1	98.1	(3.0)%
France	76.2	73.3	3.9%
Italy	75.7	63.1	19.8%
Corporate & Others	(12.2)	(11.6)	(4.6)%
Total Adjusted EBIT (*)	234.8	222.9	5.3%

(*) See Alternative performance measures caption

BUSINESS REVIEW

1. IBERIA: Spain and Portugal

The fiscal year was characterised by the good performance of activity at a macroeconomic level in Spain, showing GDP growth above 3% despite the political uncertainty caused by the difficulties in forming a Government after two general elections. The tourist season (fourth quarter of the fiscal year) reached very positive figures both for Spain and Portugal that became alternative destinations after the terrorist attacks suffered by other countries. These circumstances, among other factors, favoured the recurring activity in the Iberia segment that recorded significant increases over the preceding year.

Revenues in Iberia reached €2,639.9 million compared to €2,576.7 million in fiscal year 2015, recording a 2.5% growth. The Economic Sales of the segment reached €506.7 million, a 3.5% above the €489.5 million recorded in the same period of the previous fiscal year.

Revenues in **Tobacco and related products** increased by 2.4% as a consequence of the stability in the tobacco distributed volumes, of the tobacco retail selling price increase in the second quarter last year and the growth in revenues from the rest of the products.

In the current fiscal year there were no retail selling price increases of tobacco products, whereas the manufacturers of these products carried out a 5 cents per pack increase in the second quarter of fiscal year 2015.

The cigarette volumes distributed in Spain stood absolutely flat with respect to the previous year. However, the distributed volumes of RYO continued reducing (-1.6% vs. -0.8%) as well as the cigar volumes (-2.9% in front of -1.2%).

As already happened last year, a number of factors have contributed to the good performance of volumes in the Spanish market. A higher disposable income, retail selling prices stability and, to a large extent, the constant fight against illicit trade carried out by the Authorities that has ended up with the closure of several illicit factories, the increase in the number of seizures and the reduction in more than 2 p.p. in contraband that reached an 8.2% over cigarette market in the first half of calendar year 2016 vs. a 10.6% in the same period of the preceding year (source: Report "Empty packs survey" by Ipsos for the tobacco industry).

Since the beginning of the fiscal year, the tobacco distribution contracts in Spain with British American Tobacco (in the first quarter) and Japan Tobacco International (in the second quarter) were renewed for 5 years in both cases.

The revenues from the distribution of convenience products recorded a significant growth mainly derived from the incorporation of new lines at the beginning of the second quarter. Since last January the Group's subsidiary for convenience distribution in Spain is managing the distribution of the consumer products' portfolio of one of the largest FMCG multinationals to the main wholesalers in the national territory. This agreement follows the one signed at the end of the previous fiscal year with the same manufacturer for the distribution of healthcare products to the pharmacy channel.

The stability of tobacco distributed volumes in Spain and its growth in Portugal together with the increase of transport and others added-value services and the evolution of sales of other products in the period translated into an improvement in Economic Sales that grew by 1.3% in respect to the same period the preceding year.

Revenues in **Transport** were stable, growing by 0.1%. The parcel and courier activities recorded increases in Revenues and Economic Sales while full truck load activity showed the impact year-on-year of the divestment of one of its subsidiaries in the third quarter last year. Economic Sales increased by 3.2% up to €227.3 million.

The strategy of differentiation through the quality of service followed by the Group continued translating into improvements in the activity indicators, especially in those related to sectors with a higher demand of added value services (technology products, activities sensitive to time-of-delivery, products requiring controlled temperature, etc.). The courier activity stood out during the whole year obtaining significant in the number of shipments over last fiscal year.

Revenues in **Other Businesses** (which includes Pharma, lottery and publications distribution activities) grew by 11.5% reaching €129.9 million while Economic Sales went up by 10.9% to €73.6 million due to the growth recorded in Pharma.

Logista Pharma has been carrying out the distribution to pharmacies in Spain of the healthcare products of an important manufacturer of FMCG since the beginning of the fiscal year, as well as of some other laboratories.

ikewise, during the fiscal year new agreements were reached in the pre-wholesaling activity either to extend contracts with existing clients or to incorporate new pharmaceutical companies.

The Publications activity has recorded during the year the addition of new clients from the collectable sector (among others, SALVAT) significantly increasing its market share and therefore mitigating the declining trend experienced by the sector. The "flow-pack" line of products benefited as well from the incorporation of new specialised publishers and continued recording a relevant growth both in number of issues and revenues.

The total Operating expenses of the segment registered a good performance, increasing by 5.1%. It must be highlighted that in the second quarter of the previous year, provisions related to litigations won with final sentences received by the Company for a total amount of €8.2 million were reversed causing a non-recurring reduction of the total operating costs at the third quarter of that fiscal year. Not considering that impact, the total operating expenses recorded an increase of 2.9% well below that recorded by the recurring activity.

Adjusted Operating Profit reached €95.1 million what represents a decline of 3.0% with respect to the same period last year. Excluding the non-recurring impact of the reversal of provisions in the prior year, the Adjusted Operating Profit grew by 5.8%

Restructuring costs reached €5.1 million in fiscal year 2016 vs. €6.2 million last year. Profit from Operations reached €90.7 million versus €91.6 million recorded in the previous year, reducing by 1.0% (not considering the impact of non-recurring last year the growth is 8.8%).

2. FRANCE

The macroeconomic scenario in France did not show a clear trend throughout the fiscal year. While in the first quarters the economy recorded some growth, in the third quarter it stagnated due to the impact of the days of protest and strikes against the Labour Law reform and in the fourth quarter was also affected by the decline in tourism after the terrorist attacks suffered by the country.

Revenues from the France segment stood at a similar level than in the previous year (€4,410.8 million, +0.1%) while Economic Sales slightly reduced to reach €281.8 million recording a 0.8% decline.

The higher Revenues from Tobacco and related products offset the decline experienced from Other businesses reduced due to the impact of the rationalisation in the portfolio of clients, to the social conflict situation that the country has lived in the third quarter and to the lower influx of tourists.

Tobacco and related products Revenues increased by 0.4% to €4,207.9 million thanks to the growth of distributed tobacco volumes that offset the lower revenues from electronic transactions.

There were not retail selling price increases of tobacco products in fiscal years 2016 and 2015. The tobacco distributed volumes grew compared to fiscal year 2015 both in the cigarette category (+1.1% versus -0.5%) and in the RYO category that increased by 3.0% while during the same period last year it increased by 4.4%.

It is noteworthy the significant boost recorded by cigarette volumes in the fourth quarter that were a 2.2% above the distributed volumes in the same period the preceding year.

The diversification strategy in electronic transactional products allowed to partially compensate the reduction that the revenues from telephony top ups continue recording due to the drop experienced by the sector.

Although consumption in the convenience channel seemed to have recovered somewhat in the second quarter of the fiscal year, the channel might have been affected in the third and fourth quarters by the social conflict stem from the Labour Law reform carried out by the Government as well as by the new terrorist attack suffered in the month of July.

The Economic Sales from the activity were slightly lower than the previous year (-0.9% to €236.3 million). Higher margins of Economic Sales over Revenues in convenience products and in electronic transactions mitigated the impact of the fall experienced by the telephony top-ups' market and of the higher promotional effort in the commercialisation of point of sale terminals.

The performance of the **Other Businesses** activity (wholesale distribution of convenience products in non-tobacconist channels) was very weak compared to last year due, among other factors, to the impact on consumption of the days of protest and to the bad weather recorded during the third quarter (a factor that has a high incidence over the sale of beverages and soft drink) and to the lower number of tourists during the fourth quarter. Thus, the accumulated Revenues reduced by 5.6% with respect to last year to €209.3million.

Economic Sales continued reflecting the positive impact of the measures taken to rationalise the portfolio of clients and declined below Revenues, a 2.3%, reaching €50.5 million.

The measures undertaken to improve the efficiency in the France segment allowed an increase in results despite the decline in Economic Sales. The operating costs declined a 2.4% leading **Adjusted Operating profit** to €76.2 million, a 3.9% more than in the preceding year.

Profit from Operations reached €25.9 million well above that obtained during fiscal year 2015 (€17.8 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 macroeconomic situation in Italy remained weak in the fiscal year. The modest growth rates recorded in the first two quarters transformed into stability in the third and fourth quarters in an environment of uncertainty around the situation of the national banking system.

The retail selling price increase of tobacco products in January 2015 and in the third quarter this year together added to the positive performance of tobacco distributed volumes and the growth recorded by the sales of other products during the period allowed raising Revenues in the Italy segment to reach €2,611.2 million and increased a 3.7% over the €2,518.9 million obtained in the previous year.

Cigarette distributed volumes remained practically stable, decreasing by 0.1% compared to the 0.7% decline recorded last year. The RYO category grew by 4.4% vs. an increase of 4.2% in the preceding year.

As already mentioned, the cigarette volumes showed a sharper decline during the fourth quarter (-2.2%), probably as a consequence of the retail selling price increase recorded in the third quarter.

During the third quarter of the current fiscal year there was a retail selling price of around 20 cents per pack, a similar amount to the price increase taken by the tobacco manufacturers in the second quarter last year.

However, the Italian tobacco market continues being marked by the continuous share growth of the low price segment and, in the last days of fiscal year 2016, tobacco manufacturers reduced the price of some RYO brands.

The Group continued progressing in its commercial task to boost the sales of convenience and tobacco related products through new agreements with manufacturers, the fidelisation strategy and the offer of omni-channel ordering to the tobacconist network. As a result of these actions both Revenues and Economic Sales of these products continued their growing trend.

This commercial boost together with the other services invoiced to manufacturers, the positive performance of distributed tobacco volumes and the retail selling price increase recorded in the third quarter translated into a strong rise in Economic Sales. Thus, the Economic Sales of the Italy segment reaches €244.9 million compared to €230.2 million in fiscal year 2015 what represents a 6.4% increase.

The Group continued progressing in reorganisation of the distribution network along the year with the objective of keep on growing the sales of convenience products and the efficiency. Exchanging best practices and a deep operations' knowledge allowed once again obtaining a higher operational margin through cost control.

Thus the total operating costs grew by 1.3% with respect to last year, well below the underlying growth of the recurring activity. During the fiscal year several actions were implemented to reduce handling cost in central warehouses, packing costs or the number of service points of which, under the already mentioned network reorganisation, 19 out of the 175 existing at the beginning of the fiscal year have been closed and 5 have been transformed into transit points.

Adjusted Operating Profit advanced 19.8% reaching €75.7 million. The increase in restructuring costs that reached €2.0 million translated into a 15.7% increase in Operating Profit (€72.2 million compared to €62.4 million obtained last year.

4. CORPORATE AND OTHERS

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit reduced by 4.6% compared to previous year and reached -€12.2 million.

Despite its low relative weight, it is noteworthy that the activity in Poland significantly improved over fiscal year 2015.

Alternative performance measures

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 fiscal year 2015 and 2014 is shown:

<i>Data in million euros</i>	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015
Profit from Operations	234.8	222.9
Restructuring Costs	(6.6)	(12.7)
Amortization of Assets Logista France	(52.2)	(52.2)
Net Loss of Disposal and Impairment of Non-Current Assets	0.2	1.8
Share of Results of Companies and Others	0.9	0.2
Adjusted Operating Profit	177.1	159.9

FINANCIAL RESULT EVOLUTION

Financial results grew by 31.4% to reach €10.6 million vs. €8.1 million obtained in the previous year. Both the average cash position and the improvement of results from an affiliate company in the Italy segment allowed offsetting the slight decline suffered by the interest rate received on the cash position.

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, remained stable at 0.05% during the fiscal year 2015 while in the current fiscal year, from 1 October 2015 to 9 March 2016 was stable at 0.05 b.p. but reduced to 0.0% since 10 March.

The average cash position during the fiscal year was €1,582 million compared to €1,341 million in the same period of previous fiscal year.

Likewise, the good performance of the activity in one of the affiliates of the Group, the electronic bank ITB, aimed to provide service to the tobacconist network in Italy, brought higher income than in the same period of fiscal year 2015 and contributed to a large extent to the significant growth in Financial Income. During the fourth quarter of the fiscal year Logista reached an agreement to sell its stake in this Company (13% of share capital) to Banco Intesa Sanpaolo, deal subject to review by the Antitrust Authorities. The sale is expected to be effective during the first quarter of fiscal year 2017.

NET INCOME EVOLUTION

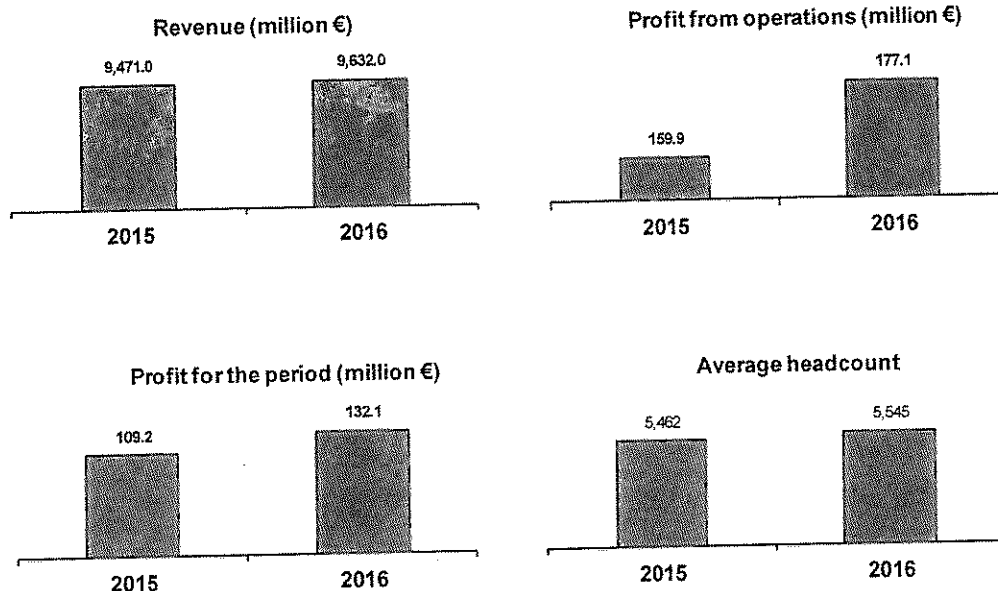
Earnings before Taxes increased by 11.8% to €187.7 million, while Net Income increased by 21.0% to reach €132.1 million

The effective consolidated tax rate of the period was 29.4% vs. close to 34.6% in preceding year due to a large extent to the reduction of the corporate tax rate in Spain approved by the Government in 2014 and the application of certain deductions.

Earnings per Share were €1.00 vs. €0.82 in 2015, with no variations in the number of shares.

At fiscal year closing, the Company owns 275,614 own shares.

The graphs below show the evolution of main indicators for the fiscal year 2016 (October 2015 – September 2016) compared to indicators on fiscal year 2015 (October 2014 – September 2015):



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 improvement registered by the Cash Generation in 2016 is mainly due to the Operating Profit growth. The performance of the rest of captions, both operating and investing, contributed to reach a Cash Generation above that obtained in the preceding year.

During fiscal year 2016 a total of €99.5 million were paid as dividends, €66.4 million corresponding to final dividend of fiscal year 2015 and €33.1 million as interim dividend of fiscal year 2016.

DIVIDEND POLICY

The Board of Directors intends to propose to the General Shareholders Meeting distributing a final dividend corresponding to fiscal year 2016 of €86.1 million (€0.65 per share) that will be payable at the end of the second quarter of fiscal year 2017.

Additionally, the Board of Directors agreed past 26 July to distribute an interim cash dividend corresponding to fiscal year 2016 of €0.25 per share (slightly more than €33.1 million). The payment was effective on 29 August, 2016.

Therefore, the total dividend corresponding to fiscal year 2016 will be €119.3 million (€0.90 per share), a 21.6% higher than the total dividend distributed in fiscal year 2015.

OUTLOOK

Given the current situation in the different markets in which the Group operates, similar growth levels in Adjusted EBIT and Net Income than in fiscal year 2016 are expected in fiscal year 2017.

Nevertheless, it is important to highlight the existing uncertainties around the impact that the enforcement of plain packaging may have on the consumption of tobacco in France. There is scarce experience in other countries regarding the implementation of similar measures so it is difficult to evaluate the repercussions that it might have on market dynamics.

According to the calendar set by the legislator, from next 1 January 2017 the tobacconists will only sell packs compliant with the said plain packaging, reason why no significant impact is expected during the first quarter of fiscal year 2017.

PAYMENT PERIODS TO SUPPLIERS

As of September 30th, 2016, 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 Management and has the double objective of i) to ensure the continuous development and implementation of the Group's Internal Control System in all countries and businesses, as well as ii) to promote and coordinate the work for annually updating the Group's risk map and propose approval to the competent bodies.

Although in this management report we will focus on the risk management and control systems of financial risks, for a broader description of risk management and control systems of the Group see point E of the Annual corporate governance report. 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 business, which are insured externally. 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, 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 Management 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 Goodwill, impairment tests are carried out according to International Accounting Standards in the Group.

Credit risk: The main financial assets of the Group are cash and cash equivalents, credits to Group companies, trade receivables and other receivables. In general, the Group deposits its cash and cash equivalents in entities holding a high credit rating. The Group presents as well a 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 2016 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).

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 integrates the environmental policy in its corporative strategy through the Quality and Environment Director Plan.

The Group's Quality, Environment and Energy Efficiency Policy establishes the guidelines governing its activities that, within a continuous improvement process focused on excellence, includes implementing policies and good practices for optimizing the use of resources, supporting and contemplating energy efficiency in acquiring products and services, as well as promoting the prevention of pollution in the processes.

The Policy also contemplates the definition and control of environmental and quality indicators with periodic evaluation of the sustainability performance, as well as the evaluation and reduction of the carbon footprint.

It also establishes the strict regulatory compliance, extended to voluntary objectives subscribed by the company, as well as the collaboration with organisms and groups of interest favouring the improvement of quality and the environment.

In addition, the Quality and Environment Corporate Direction develops initiatives to raise awareness or to additionally disseminate the actions the Logista Group undertakes in this matter to increase the employees' knowledge and commitment in this matter.

The Logista Group is calculating since the fiscal year 2013-2014 the Carbon Footprint of every business and service in the different countries where it operates through an operational control approach, including the Group's outsourced activities, as well as those by outsourced transport vehicles.

The calculation is based on the norm and emission factors for reporting Green House Gases by the Green House Gas Protocol and the UNE-EN-16258 norm to establish the calculation methodology.

In addition, the calculation is verified under the UNE-EN ISO 14064 norm by an independent audit entity, ratifying the numbers and assuring the process reliability and traceability.

During the fiscal year 2014, the Logista Group began using renewable produced electricity. During the fiscal year 2016, the Group has increased the number of points supplied with renewable produced electricity to more than 90% of the Group's facilities, including every Group directly managed center in Spain, France, Italy and Portugal.

Also, the Group compiles and analyzes information about the water consumption, waste and most relevant materials consumed by the Group.

The Logista Group has defined an energy efficiency program, both for its network of facilities and for its transport networks, even if outsourced. The Group periodically undertakes energy audits in every country and by each business to analyze energy evolution and to identify best practices.

The Logista Group participates and promotes initiatives on environmental protection aiming at stimulating the relevance of the environmental sustainability in business activities.

Thus, the Group participates in reports and technical, divulging and/or of 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.

CDP distinguished Logista as "Climate Disclosure Leader 2015" after analyzing the 125 largest companies by market capitalization in Spain and Portugal. Logista also participates as founding member of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth), a non-profit businesses association gathering among others 29 of Spain's largest companies, aiming at working together 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.

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 €4.7 million in fiscal year 2016. 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

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.

At 30 September 2016, the Group held in its balance sheet 275,614 own-shares, representing the 0.21% of the Company's share capital. Own-shares were acquired in execution of the Share Buyback Program.

USE OF DERIVATIVE FINANCIAL INSTRUMENTS

No Group company uses derivative financial instruments.

**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: 30/09/2016

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 voting rights	Number of indirect voting rights		% on total voting rights
		Direct owner of the holding	Number of voting rights	
IMPERIAL BRANDS PLC	0	ALTADIS SAU	92.925.001	70,00%
ALLIANZ GLOBAL INVERSTOR FUNDS	4.197.259	---	---	3.16%
ALLIANZ GLOBAL INVERSTOR GMBH	0		6.716.072	1.90%

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
FIDELITY INTERNATIONAL LIMITED	29/02/2016	Fell below the 1% 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:

Name (person or company) of the shareholder	Number of direct voting rights	Number of indirect voting rights		% on total voting rights
		Direct owner of the holding	Number of voting rights	

Total % of voting rights held by the Board of Directors	
---	--

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

Name (person or company) of the shareholder	Number of direct voting rights	Indirect voting rights		Number of equivalent shares	% on total voting rights
		Direct owner	Number of voting rights		
Luis Egado Gálvez	116,865	0	0	116,865	0.09%
Rafael de Juan López	50,970	0	0	50,970	0.04%

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:

Name (person or company) of the shareholder	Kind of relationship	Short Description
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:

Name (person or company) of the shareholder	Kind of relationship	Brief Description
Imperial Brands PLC	Contractual	<p><u>"ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12, 2014.</u></p> <p>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.</p> <p>The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.</p>
Imperial Brands Enterprise Finance Limited	Contractual	<p><u>"INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12, 2014, and amended on December 1st, 2015</u></p> <p>Agreement on a reciprocal credit facility, for five</p>

		<p>years (with a yearly tacit renewal), with a maximum disposal limit of two thousand six hundred million euros.</p> <p>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.</p>
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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

Participants in the para-social agreement	% of share capital affected	Brief description of the agreement
N/A		

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

Yes No

Participants in concerted actions	% of share capital affected	Brief description of the action
N/A		

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 5 of the Stock Exchange Act. If so, identify it/them:

Yes No

Name (person or company)
IMPERIAL BRANDS PLC
Remarks
INDIRECT PARTICIPATION OF 70% THROUGH ALTADIS SAU

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

At year-end closing:

Number of direct shares	Number of indirect shares (*)	Total % on share capital
275,614	----	0.21%

(*) Through:

Name or Company name of the direct holder of the interest	Number of direct shares
N/A	
TOTAL	

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

Explain the significant changes
N/A

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	24.73%

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

Description of the restrictions

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.

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.

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

	Quorum % other than that established in article 193 of the ACC for general cases	Quorum % other than that established in article 194 of the ACC for special cases covered therein
Quorum required on 1 st call	N/A	
Quorum required on 2 nd call	N/A	
Description of the differences		

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.

	Qualified majority other than that established in article 201.2 ACC for cases set forth in article 194.1 ACC	Other instances in which a qualified majority is required
% established by the entity for the passing of resolutions	N/A	
Describe the differences		

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:

Date GMS	Attendance data				
	% attendance in person	% attendance by proxy	% distance voting		Total
			Electronic Vote	Others	
17/02/2015	70.39%	12.56%	0.00%	0.00%	82.95%
16/03/2016	70%	20.91%	0.00%	0.00%	90.91%

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

Number of shares required to attend the General Meeting	
---	--

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
Gregorio Marañón y Bertrán de Lis		Independent	Chairman	13/05/2014	13/05/2014	GMS
Luis Egido Gálvez	----	Executive	CEO	13/05/2014	13/05/2014	GMS
Rafael de Juan López	-----	Executive	Secretary Director	13/05/2014	13/05/2014	GMS
Cristina Garmendia Mendizábal	----	Independent	Director	04/06/2014	04/06/2014	GMS
Eduardo Zaplana Hernández-Soro	----	Independent	Director	13/05/2014	13/05/2014	GMS
Stéphane Lissner	----	Independent	Director	13/05/2014	13/05/2014	GMS
John Matthew Downing	----	Proprietary	Director	13/05/2014	13/05/2014	GMS
Nicholas James Keveth	----	Proprietary	Director	13/05/2014	13/05/2014	GMS
Richard Guy Hathaway	----	Proprietary	Director	24/03/2015	24/03/2015	By co-option
David Ian Resnekov	----	Proprietary	Director	13/05/2014	13/05/2014	GMS

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

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

Name (person or company) of the Director	Director type when the vacancy occurred	Date of termination
NONE		

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
LUIS EGIDO GÁLVEZ	CEO
RAFAEL DE JUAN LÓPEZ	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
JOHN MATTHEW DOWNING	IMPERIAL BRANDS PLC
NICHOLAS JAMES KEVETH	IMPERIAL BRANDS PLC
RICHARD GUY HATHAWAY	IMPERIAL BRANDS PLC
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	Profile
GREGORIO MARAÑÓN Y BERTRÁN DE LIS	(1)
CRISTINA GARMENDIA MENDIZÁBAL	(2)
EDUARDO ZAPLANA HERNÁNDEZ-SORO	(3)
STÉPHANE LISSNER	(4)

(1) GREGORIO MARAÑÓN Y BERTRÁN DE LIS

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.

(2) CRISTINA GARMENDIA MENDIZÁBAL

Ms. Garmendia obtained a PhD in Biological Sciences, specialising in Genetics, from the Severo Ochoa National Centre of 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.

Before that appointment, she was chairperson of the biotechnology group Genetrix, which she herself founded in the year 2000, and founding partner of the risk capital entity YSIOS, specialised in human health. She was also chairperson of the *Asociación Española de Bioempresas* (ASEBIO) (Spanish Association of Biocompanies) and a Board member of CEOE.

Since leaving the Government, she has resumed her responsibilities at YSIOS and GENETRIX. She is chairperson at the Spanish/German biotechnology company SYGNIS and has founded the Science & Innovation Link Office (SILO) and Satlantis Microsats.

She is chairperson at the *Fundación COTEC* and a member of various advisory boards, such as the International Advisory Committee for the Programme for Productive Transformation of the Columbian Government, the Women for Africa Foundation, and university councils such as the social councils of the University of Seville and the European University of Madrid. She is also on the Boards of several companies, including Gas Natural Fenosa, *Corporación Financiera Alba* and Logista.

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

(3) EDUARDO ZAPLANA HERNÁNDEZ-SORO

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.

(4) STÉPHANE LISSNER

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.

Name of Director (person or company)	Description of the relationship	Reasoned Statement
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:

Name of Director (person or company)	Reasons	Company, officer or shareholder with whom the Director has ties
N/A		

Total number of other external Directors	N/A
Total % of Board members	

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

Name (person or company) of the shareholder	Variation date	Previous Category	Current Category
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 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013	Fiscal year 2016	Fiscal year 2015	Fiscal year 2014	Fiscal year 2013
Executive	0	0	0	N/A	0%	0%	0%	N/A
Proprietary	0	0	0	N/A	0%	0%	0%	N/A
Independent	1	1	1	N/A	10%	10%	10%	N/A
Other external	0	0	0	N/A	0%	0%	0%	N/A
Total:	1	1	1	N/A	10.00%	10.00%	10.00%	N/A

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 and Resnekov), in accordance with the Framework Agreement of June 12, 2014, which rules the relations between Imperial Brands 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:

Name of the shareholder (person or company)	Reasons
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

Name of the shareholder (person or company)	Justification
N/A	

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:

Name of the Director (person or company)	Reason for standing down
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)	Brief Description
LUIS EGIDO GÁLVEZ	He has been delegated all the faculties of the Board of Directors that can be delegated according to the Law and the Bylaws, excluding the faculties that, according to Article 38 of the Bylaws of the Company, require the approval of the resolution by, at least, the 70% of the members of the Board of Directors

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?
LUIS EGIDO GÁLVEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA SAU	CHAIRMAN	YES
LUIS EGIDO GÁLVEZ	LOGISTA ITALIA SpA	DIRECTOR	YES
LUIS EGIDO GÁLVEZ	BANCA ITB SpA	DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL DE PUBLICACIONES LOGISTA SAU	SECRETARY DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA PUBLICACIONES, S.L.U.	CHAIRMAN	NO
RAFAEL DE JUAN LÓPEZ	DRONAS 2002 SLU	DIRECTOR	NO
RAFAEL DE JUAN LÓPEZ	LOGISTA PHARMA	DIRECTOR	NO
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
DON GREGORIO MARAÑÓN Y BERTRÁN DE LIS	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR
DOÑA CRISTINA GARMENDIA MENDIZÁBAL	CORPORACIÓN FINANCIERA ALBA	DIRECTOR
DOÑA CRISTINA GARMENDIA MENDIZÁBAL	GAS NATURAL SDG, S.A.	DIRECTOR
DOÑA CRISTINA GARMENDIA 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)	3.842
Amount of overall remuneration corresponding to the rights accumulated by current Directors with respect to pensions (thousand euros)	2.331
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
PASCAL AGERON	GENERAL MANAGER - TOBACCO, TELECOMS & STRATOR FRANCE
JAN BABST	CORPORATE DIRECTOR OF INFORMATION SERVICES
LAURENT BENDAVID	PRESIDENT GENERAL MANAGER -- LOGISTA FRANCE
ANTONIO GARCÍA VILLANUEVA	CORPORATE RESOURCES DIRECTOR
MIGUEL GÓMEZ PRADO	CEO - LOGISTA PHARMA
RAFAEL MARTÍ FERNÁNDEZ	CORPORATE HUMAN RESOURCES DIRECTOR
GLORIA MARTÍN GIMENO	INVESTORS RELATIONS AND STRATEGIC ANALYSIS CORPORATE DIRECTOR
DAVID MARTÍNEZ FONTANO	CEO - LOGISTA ITALIA

FRANCISCO PASTRANA PÉREZ	GENERAL MANAGER - TOBACCO AND CONVENIENCE IBERIA
PABLO REBOLLO PERICOT	PRESIDENT NACEX & GENERAL MANAGER INTEGRA 2
MANUEL SUAREZ NORIEGA	CORPORATE FINANCE DIRECTOR
LAURA TEMPLADO MARTÍN	CORPORATE INTERNAL AUDIT DIRECTOR

Total remuneration senior managers (thousand euros)	5.160
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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
Downing, John Matthew	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	Company Secretary
	IMPERIAL TOBACCO HOLDINGS LIMITED	Company Secretary
	IMPERIAL TOBACCO INITIATIVES	Director
	IMPERIAL TOBACCO IRELAND UNLIMITED COMPANY	Director
	IMPERIAL TOBACCO LACROIX LIMITED	Director
	IMPERIAL TOBACCO LIMITED	Company Secretary
	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	Company Secretary	
IMPERIAL TOBACCO OVERSEAS	Director	

	HOLDINGS LIMITED	
	IMPERIAL TOBACCO OVERSEAS LIMITED	Director
	ITG BRANDS LIMITED	Director
	JOSEPH & HENRY WILSON LIMITED	Director
	NEWGLADE INTERNATIONAL UNLIMITED COMPANY	Director
	PARK LANE TOBACCO COMPANY LIMITED	Director
	RIZLA UK LIMITED	Director

Keveth, Nicholas James	IMPERIAL BRANDS FINANCE PLC	Director
	IMPERIAL TOBACCO HOLDINGS (2007) LIMITED	Director
	IMPERIAL TOBACCO HOLDINGS LIMITED	Director
	IMPERIAL TOBACCO LIMITED	Director
	IMPERIAL TOBACCO OVERSEAS HOLDINGS (3) LIMITED	Director
	IMPERIAL TOBACCO SOUTH AFRICA S.A.	Vice President
	ITG BRANDS LIMITED	Director

Resnekov, David Ian	ATTENDFRIEND LIMITED	Director
	BRITISH TOBACCO COMPANY LIMITED	Director
	CONGAR INTERNATIONAL UK LIMITED	Director
	IMPERIAL BRANDS ENTERPRISE FINANCE LIMITED	Director
	IMPERIAL BRANDS FINANCE PLC	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 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
	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
John Matthew Downing	IMPERIAL BRANDS, PLC	Company Secretary
Richard Guy Hathaway	IMPERIAL BRANDS, PLC	Director Of Finance Strategic Initiatives
Nicholas James Keveth	IMPERIAL BRANDS, PLC	Director of Finance and Planning Department
David Ian Resnekov	IMPERIAL BRANDS, PLC	Financial Controller

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

Yes No

Description of the amendments
The Regulations of the Board of Directors were amended by resolution of the Board of Directors meeting of January 26, 2016, basically to adapt them to the Recommendations of the new Good Governance Code, of February 18, 2015, and also to the new content of Article 529 quaterdecies of the Capital Companies Act (Article that was amended by Law 22/2015, of 20 July, on Accounts Audit), which refers to the composition and functions of the Audit and Control Committee.

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 Appointment 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 financial year.

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 Company, with the assessment of assessment KPMG Asesores, S.L, has evaluated:

1. The Board of Directors of the Company, in the followings aspects:

- General questions
- Meetings of the Board
- Functions and Responsibilities
- Overall valuation

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.

KPMG-LOGISTA SAU: Litigation: 9.350 €
 KPMG-LOGISTA SAU: SCIF Training: 2.500 €
 KPMG-LOGISTA HOLDINGS: Self-assessment of the Board of Directors: 20.000 €

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	11
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	N/A
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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	5

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	11
% of attendance over the total votes during the present year	100%

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

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:

Name	Position
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 No

C.1.34 Section repealed.

C.1.35. State, where appropriate, the specific 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

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)	88	297	385
Amount of work other than that of auditing / total amount charged by the audit firm (in %)	39,68%	22,80%	25,26%

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

Yes No

C.1.39 Indicate the number of consecutive 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:

TO BE CONFIRMED	Company	Group
Number of consecutive years	3	17
Number of years audited by the present audit firm / Number of years that the company has been audited (%)	100%	100%

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

Yes No

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

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

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

Also, in accordance with the provisions of articles 17.5 and 18.5 of the Board Regulations, the 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

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

- a) When they are removed from the executive posts to which their appointment as Directors was associated;
- b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;
- c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;
- d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage 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	Description of the resolution
CERTAIN SENIOR MANAGERS	<ul style="list-style-type: none"> • 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. <p>All these agreements, excepting one, were executed before the admission to listing of the Company's shares.</p>

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	

	YES	NO
Is information about these clauses provided to the General Meeting of Shareholders?	----	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
Cristina Garmendia Mendizábal	Chairwoman	Independent
Gregorio Marañón y Bertrán de Lis	Member	Independent
Eduardo Zaplana Hernández-Soro	Member	Independent
David Ian Resnekov	Member	Proprietary

% of proprietary directors	25.00%
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% of independent director	75.00%
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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:

- 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 for its approval of the Board Regulations, the Internal Regulations for Conduct in the Securities Markets, the Risk Management Policy, the Corporate Governance Policy, the Corporate Social Responsibility Policy, the Whistleblowing Policy and other internal regulations.
- Appointment of the Internal Audit Manager.
- Approval and monitoring of the Internal Audit Plan 2015-2016
- Appointment proposal and determination of the fees of the External Auditors.
- Update of the Risk Map of the Group
- Monitoring of the internal control activities of the Group
- Corporate Governance Annual Report for the financial year 2014-2015
- Report on the Auditor independence
- 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	David Ian Resnekov
Number of years of the Chairman in such position	1

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office	Category
Gregorio Marañón y Bertrán de Lis	Chairman	Independent
Eduardo Zaplana Hernández-Soro	Member	Independent
Stéphane Lissner	Member	Independent
John Matthew Downing	Member	Proprietary

% of proprietary directors	25.00%
% of independent directors	75.00%

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:

- Proposal to the Board of the Annual Report on Directors' Remuneration 2014-2015.
- Evaluation of the degree of achievement of the Group's Business Objectives 2014-2015 (Bonus).
- Evaluation of the Variable Remuneration of the Executive Directors (2014-2015).
- Setting of the Fixed Remuneration of Executive Directors for 2016.
- Report on the functions and activities of the Appointments and Remuneration Committee.
- Report on the ratification by the General Shareholders' Meeting of the appointment by co-option of Mr. Richard Guy Hathaway as a Proprietary Director.
- Proposal to the Board of settlement of the Second Consolidation Period of LOGISTA, SAU 2011 Plan (General Plan and Special Plan).
- Proposal of Beneficiaries and Number of Shares granted, in the General and Special Plans for Performance Shares 2014/Second Consolidation Period.
- Report on the compensation schemes for Directors.
- Self-evaluation of the Company and functions.

- Proposal to the Board of its performance self-evaluation, as well as that of its President, CEO and Secretary Director.

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							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	1	25.00%	1	25.00%	1	25.00%	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:

- 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 SAU	COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.U.	Commercial	Purchase of finished or not finished goods	377,274
ALTADIS SAU	LOGISTA-DIS, S.A.	Commercial	Purchase of finished or not finished goods	6,642
ALTADIS SAU	COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.U.	Commercial	Sales of services	4,853
IMPERIAL TOBACCO GROUP PLC	COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.U.	Contractual	Paid interests	12,392

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.

613,877 (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:

Listed subsidiaries

N/A

Indicate whether the respective areas of activity and any business relations between them, and any business relations between the listed subsidiary and other group companies, have been publicly and precisely defined

Yes No

Describe any business relations between the parent company and the listed subsidiary, and between the listed subsidiary and other group companies.

N/A

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and the other companies of the group:

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 General Internal Control Policy of February, 8th 2012.

This policy establishes a general action framework for controlling and management of internal and external risks of any nature, which may affect the 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) 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.

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.

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.

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 Directorate, 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 3 most important business units of the Group, acting the Internal Control Director as Secretary.

Corporate Internal Audit Directorate

Corporate Internal Audit Directorate role is promoting the implementation, development and coordination and documentation of the acts and tasks performed related to this subject, asking for the execution of risks evaluations to Process owners assigned and General Directorates of each businesses, following homogenised methodology and instructions for performing the process, as defined at the Risk Management Policy and Procedure.

Process Owner:

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

Internal Control Coordinators:

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

Control Owner:

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

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 in the markets in which it operates (mainly Spain, Portugal, France and Italy).
- Tobacco illicit trade and contraband impacting in distributed tobacco volumes.

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.

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) establishes tighter rules for tobacco products, that could affect the volume sold, related among others, to labelling, ingredients, track and trace and cross-border trade. The transposition period in their respective member States ends on May, 20th 2016.
- 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-economical 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.

General Risk management Policy defined the position of the Company regarding a risk typology, Including tax-related risks, such as:

Group has a low tolerance regarding law and regulation compliance, including tax regulation,

In general, due to the particularity of the business and the markets where the Group Is present, 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 manufactures).

Highlight that in the strategic Group framework, providing high added value logistical services with a high level of technological innovation, 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). 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 ort 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

Financial risks/ 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.
- 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.

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 Supervising 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 Policy of Logista Group, development and execution of the internal control system (in which ICOFR is embedded), it is assigned to the Internal Control Committee of the Logista Group, acting under the supervision and dependency on the Audit Committee and Board of Directors, and which president is the Finance Corporate Directorate.

Among other functions, the Internal Control Committee establishes the responsibility to validate the proposals of the internal control process managers or co-ordinators, or of corporate or business managers, to define, update and develop new processes or sub-processes and the objectives of control 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 Company. The system of evaluation of the Logista Group performance contains, in an individualized manner, the main responsibilities of each job.

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 in its systems for performance evaluation it has 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.

According to Framework agreement of 12th June 2014, signed by the Company and Imperial Brands PLC, internal control systems of the Logista Group, including those over financial information and internal audit standards, are coordinated with systems and standards of Imperial Brands, if necessary, to facilitate Imperial Tobacco Group the developments and dissemination of their own regulated financial information.

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 annually assessing performance, 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, there has been received external training on the following subjects: consolidation process, financial modeling, international accounting standards, and internal control/Internal audit risk analysis.

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 different institution's bulletins from external sources and attendance to conferences and seminars of specific topics.

During the year, a fully implementation of ICOFR training program has taken place, with the objective of keeping all key personnel involved at elaboration of financial information, monitoring and control; four internal training sessions have been held both at a Corporate level and also at subsidiary level.

Furthermore, on-line specific training about Global financial fraud has been give to all new employees belonging financial department, internal control and internal audit, and also to those persons who did not received that training before.

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: "Internal Control Policy", "Risk Management Policy" and "Risk Management Procedure". These policies describe risk 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 map of risks.

The said map of risks 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; there is a map of the Logista Group risks and there are also maps of specific risks for each company and business unit.

In the model that has been introduced for risk management, the important internal and external risks of a financial nature which can affect their activities have been identified and prioritized, using a pre-defined methodology. 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.

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.

In the methodology used for the preparation of the risk and control matrices of the ICOFR, the Group has established the identification and description of each of the risks in the processes that are relevant for the purposes of the ICOFR, and their effect on the objectives of the financial assertions, which are to ensure that the transactions, facts and events fulfil: existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations.

The Logista Group has developed 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.

Those General Principles are explicitly formulated at the "Best practices of financial internal control" instruction, mandatory for all the Logista Group and in the Accounting Manual for the Logista Group.

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 consolidation procedure called "accounting principles, valuation rules and table of consolidated accounts". 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.
- 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.
- Financial 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.
- 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.
- 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.
- 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 activity regarding risk management is co-ordinated and supervised by the Corporate Internal Audit Directorate.

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 a series of procedures for closing and reporting, which define 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 Corporate Management of Finances. 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 Corporate Management of Finances 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.

The Audit and Control Committee has been informed of the degree of fulfillment of the said plan of action. In addition, the Audit and Control Committee has carried out the following activities during the year:

- Follow-up of the action plan in order to obtain a fully implementation of the ICOFR model in Logista Group.
- Follow-up of results came to light as a consequence of the results of the audits performed by the Corporate Internal Audit Department, and also the progress on action 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 draft report of the External Auditor's opinion on this subject,

The Logista Group has a Corporate Internal Auditing Department, with functional dependence on the Chairman of the Audit and Control.

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 fulfillment 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 purchase to pay processes of those businesses with significant impact on financial statements, and also Financial Statements' consolidation process.

As part of ICOFR evaluation process, which conclusions are included at audit reports for each business and process audited, internal audit verify that:

- Design of descriptive documentation of the processes under review is adequate and it is up to date.
- Operative efficiency of 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.

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 fulfill 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 Management of Internal Auditing, the Accounts Auditor, 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 auditor reports 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. He also presents the planning of the Accounts Auditing, its methodology, legislative innovations, and any other information considered to be useful.
- The Management of Internal Auditing has full access to the Audit Committee, attending its sessions as a guest, and issuing information, at least quarterly, 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.

In addition, the Chairman of the Audit and Control Committee has private discussions with the Management of Internal Auditing, in order to obtain information about the scope of their work, its results and the content of their reports, and any other information considered to be useful.

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 auditor the information about the ICOFR that was sent to the markets for financial year 2016. The scope of the auditor's 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

The Company has never issued bonds or securities.

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 (less than 25%).

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 during financial year 2015-2016 a Director Selection Policy, which is expected to be approved in the year 2016-2017.

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

The Company intends to perform refresher programmes during next financial year, in application of the Action Plan of Self-Assessment of the Board, approved the 25th of October of 2016.

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 Not applicable

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 Not applicable

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.

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 25th, 2016.

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

Yes No

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

AUDITORS' REPORT ON THE "INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)" OF COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. FOR THE FISCAL YEAR ENDED ON SEPTEMBER 30th 2016

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 July 30th 2016, 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 2016, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

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

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

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

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on September 30th 2016 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.

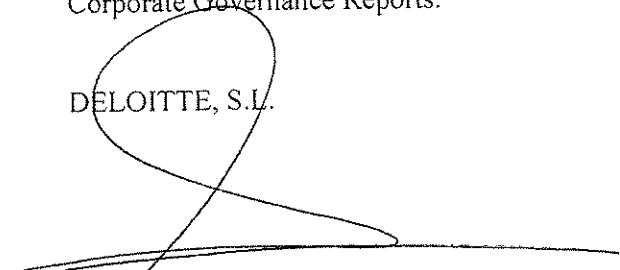
The procedures applied were as follows:

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 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.



Jose Luis Aller
Partner
October 26th, 2016

Certificate on the issuance of the financial statements

Consolidated Financial Statements and Consolidated Directors Report for the year ended 30 September 2016, have been formally prepared by the Parent Company Board of Directors, Compañía de Distribución Integral Logista Holdings, S.A., at its meeting on 27 October 2015 in order to be audited and approved by the Shareholders.

Corporate Governance Annual Report for the year ended 30 September 2016, 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 75 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, Nicholas James Keveth
Director

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

Leganes, 25 October 2016