

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

Independent Auditors' Report on Consolidated Financial Statements

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2018, 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 ("2018").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 30 September 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

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

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

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

Deloitte, S.L. Registered office: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, Spain
Tel.: +34 915 145 000 Fax: +34 915 145 180, www.deloitte.es
Madrid Mercantile Register, volume 13.650, section 8, sheet 188, page M-54414, entry no. 96
Registered in ROAC under no. S0692 - Employer Identification Number: B-79104469.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Paseo de la Castellana 259 B, 28046 Madrid, Spain
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es
Madrid Mercantile Register, page 87.250-1, sheet 75, volume 9.267, book 8.054, section 3
Registered in ROAC under no. S0242 - Employer Identification Number: B-79031290

Key Audit Matters

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

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Recognition of tobacco sales revenue</i></p> <p>Tobacco sales, which represent 94% of the Group's total sales, relate to the goods delivered, net of discounts, VAT, excise duties on tobacco products and other sales-related taxes.</p> <p>Although the recognition of this revenue, under the Group's habitual terms and conditions, is not complex, it does involve the consideration of specific circumstances associated with the various conditions agreed with manufacturers and customers and with the taxes and levies applicable in each jurisdiction.</p> <p>There is an inherent risk associated with the timing of the recognition of this revenue, which depends on the distribution channels involved, the contractual terms and conditions under which the goods are sold, and the impacts that regulatory changes might have on sales (VAT, excise duties, vendor's commissions, etc.).</p> <p>Accordingly, this matter was a key area in our audit.</p>	<p>As a response to this key audit matter, our audit procedures has included, among others, the following:</p> <ul style="list-style-type: none"> • Checking the design, implementation and operating effectiveness of the relevant controls (including information system controls) supporting the completeness of the sales, as well as the automatic sales invoice accounting and recognition procedure, for which purpose we involved our technology and systems specialists. • Analysing whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis manufacturers and customers. • Evaluating the reasonableness of the sales volumes and margins for 2018 with respect to the trends in previous years, and checking these data against the information furnished by internal Group and external sources. • Performing tests of details on a sample of recognised sales. • Performing combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the tobacco sales revenue and trade receivables accounts. <p>No material exceptions or misstatements were observed as a result of our procedures.</p> <p>Notes 4.15, 23.a and 24 to the accompanying consolidated financial statements contain the disclosures and information relating to the Group's tobacco sales revenue.</p>

Key Audit Matters**How the Matters Were Addressed in the Audit***Deferred tax liabilities and provisions for tax contingencies*

The consolidated balance sheet as at 30 September 2018 includes a balance of EUR 291 million relating to deferred tax liabilities and provisions for tax contingencies associated with the tax assessments issued for excise duties on tobacco products, customs duties and other taxes. The aforementioned amount includes EUR 280 million relating to deferred tax liabilities and EUR 11 million associated with provisions for tax contingencies.

The core activity -the sale of tobacco- is subject to specific tax legislation that is complex due to the various geographical segments in which the Group operates. At the end of 2018 various tax proceedings were in progress which require a significant level of judgement on the part of Group management in order to estimate the probability that the related liabilities will materialise. The Group bases its estimates on the opinion of its external tax advisers.

Due to the complexity of the calculations of these taxes and of the tax regulations in force in the various jurisdictions, as well as the significant judgement used by the Group to estimate the aforementioned provisions and the income tax expense, we consider this to be a significant area for our attention.

Our audit procedures included, among others, the involvement of our tax experts in the aforementioned area in order to evaluate the reasonableness of the provisions and deferred tax liabilities recognised and of the estimated income tax expense for the year. In addition, we requested (and analysed the related confirmation) that the Group's internal legal advisory department and its tax advisers provide us with a detailed description of the criteria and basis for their conclusions in relation to the proceedings in progress, which served as support for management when defining the classification and amount of the provisions recognised by the Group.

As a result of our procedures, we consider that, in the context of the Group's consolidated financial statements taken as a whole, the judgements made by management and the disclosures presented in relation to these provisions are consistent with our assessment.

Notes 18 and 19 to the accompanying consolidated financial statements contain the disclosures and information relating to this area of interest.

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Impairment of goodwill and of other intangible assets</i></p> <p>The consolidated balance sheet as at 30 September 2018 includes goodwill amounting to EUR 921 million resulting from corporate acquisitions, and other intangible assets with finite useful lives amounting to EUR 466 million associated with the distribution agreements with the main tobacco manufacturers in France.</p> <p>The Group annually tests these assets for impairment. This impairment test was significant to our audit because management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions.</p> <p>The main assumptions considered are the discount rate, the short- and long-term growth rates, the changes in working capital and the estimated future margins, the future evolution of which will depend on market performance and the economic and regulatory conditions that arise in the various geographical segments -mainly France and Italy- with which the aforementioned assets are associated.</p> <p>As described in Notes 7 and 8 to the consolidated financial statements, management concluded that, based on the sensitivity analyses performed by it separately for each of the assumptions considered, no impairment losses would be disclosed.</p>	<p>Our audit procedures included, among others, the review of the relevant processes and controls implemented by the Company in order to assess the impairment of goodwill and other intangible assets.</p> <p>We reviewed the cash flow projections and the process used to prepare them, which included comparing the projections with the latest plans approved by the Board from which they are derived, and we obtained and re-performed the underlying calculations.</p> <p>Also, we used valuation experts to assist us in evaluating the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various areas, as well as the reasonableness of the growth rates, where appropriate.</p> <p>For the aforementioned assumptions we reviewed the sensitivity analyses conducted by management. We consider the assumptions to be reasonable and conclude that management's approach is consistent and is supported by the available evidence.</p> <p>Lastly, we focused our work on reviewing the disclosures made by the Group in relation to these assets, especially those relating to the sensitivity analyses of the key assumptions.</p> <p>Note 7 to the accompanying consolidated financial statements contains the disclosures relating to the impairment tests performed on these assets and, in particular, the detail of the main assumptions used and the sensitivity analysis of changes in the key assumptions in the tests.</p>

Other Information: Consolidated Directors' Report

Other information comprises only the consolidated directors' report, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

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

Our audit opinion on the consolidated annual accounts does not cover the consolidated directors' report. Our responsibility regarding the information contained in the consolidated directors' report is defined in the legislation governing the audit practice, which establishes two distinct levels in this regard:

- a) A specific level applicable to the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the directors' report or, if appropriate, that the consolidated directors' report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.
- b) A general level applicable to the rest of the information included in the consolidated directors' report that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have ascertained that the information mentioned in paragraph a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that contained in the consolidated annual accounts for the 2018 financial year, and its content and presentation are in accordance with the applicable regulations.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 5 November 2018.

Engagement Period

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

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

Services Provided

The additional services, other than financial audit services, provided to the Group were those described in Note 23.g to the accompanying consolidated financial statements for 2018.

Deloitte, S.L. (S0692)



José Luis Aller (nº ROAC 17072)

5 November 2018

PricewaterhouseCoopers Auditores, S.L. (S0242)



Raúl Llorente Adrián (nº ROAC 20613)