

**Compañía de  
Distribución Integral  
Logista, S.A. (Sole-  
Shareholder Company)**

Financial Statements for the year ended  
30 September 2013 and Directors'  
Report, together with Independent  
Auditors' Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). 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 generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Sole-Shareholder of  
Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company):

We have audited the financial statements of Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company) comprising the balance sheet at 30 September 2013 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended ("2013"). The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying consolidated financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying financial statements for 2013 present fairly, in all material respects, the equity and financial position of Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company) at 30 September 2013 and the results of its operations and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

The accompanying Directors' Report for 2013 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692



José Luis Aller

November 28, 2013

**Compañía de  
Distribución Integral  
Logista, S.A. (Sole-  
Shareholder Company)**

Financial Statements for the year ended  
30 September 2013 and Directors'  
Report

*Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.*

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

# COMPANÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A. (SOLE-SHAREHOLDER COMPANY)

## BALANCE SHEET AT 30 SEPTEMBER 2013 (Thousands of Euros)

ASSETS	Notes	30-09-2013	30-09-2012	EQUITY AND LIABILITIES	Notes	30-09-2013	30-09-2012
<b>NON-CURRENT ASSETS:</b>				<b>EQUITY:</b>			
Intangible assets-		1,717,810	809,844	<b>SHAREHOLDERS' EQUITY:</b>	Note 10	294,939	286,876
Computer software	Note 5	12,951	13,035	Share capital-		294,939	286,876
Property, plant and equipment-		12,951	13,035	Registered share capital		26,550	26,550
Land and buildings	Note 6.1	94,493	111,386	Share premium		178,814	178,814
Plant and machinery		45,912	56,744	Reserves-		7,172	6,876
Other fixtures, tools and furniture		4,283	5,131	Legal and bylaw reserves		5,902	5,902
Other items of property, plant and equipment		13,496	14,915	Other reserves		1,270	974
Property, plant and equipment in the course of construction		10,926	15,134	Profit for the period		82,403	74,636
Investment property		19,876	19,462				
Non-current investments in Group companies and associates-	Note 6.2	9,855	509	<b>NON-CURRENT LIABILITIES:</b>			
Equity instruments	Note 8.2	1,578,515	663,521	Long-term provisions-	Note 11.1	192,606	186,343
Loans to companies	Note 8.2.1	1,559,168	638,821	Provisions for long-term employee benefit obligations		131,117	126,836
Non-current financial assets	Note 8.2.2 and 15.1	19,347	24,700	Other provisions		123,113	118,832
Deferred tax assets	Note 8.1	949	900	Non-current payables-		664	436
	Note 12.5	21,047	20,493	Other financial liabilities		664	436
				Payables to Group companies and associates		257	257
<b>CURRENT ASSETS:</b>	Note 9	1,103,406	1,905,504	Deferred tax liabilities	Note 12.6	60,160	58,468
Inventories-		351,186	326,899	Deferred income		408	346
Goods held for resale		351,172	326,822				
Advances to suppliers		14	77	<b>CURRENT LIABILITIES:</b>			
Trade and other receivables-		383,074	381,962	Short-term provisions	Note 11.1	2,333,671	2,242,129
Trade receivables for sales and services	Note 15.1	364,776	357,481	Other current financial liabilities	Note 8.3	2,790	4,230
Receivable from Group companies and associates		14,369	19,315	Payables to Group companies and associates	Note 15.1	28,799	22,394
Sundry accounts receivable		3,126	4,425	Trade and other payables-		1,119,760	1,041,248
Other accounts receivable from public authorities	Note 12.1	803	741	Payable to suppliers		1,182,322	1,173,792
Current investments in Group companies and associates-	Note 15.1	326,674	1,158,701	Payable to suppliers - Group companies and associates		199,180	247,467
Loans to companies		326,674	1,158,701	Sundry accounts payable	Note 15.1	73,410	90,046
Current financial assets-		28,949	23,525	Remuneration payable		46,828	20,057
Loans to companies		28,799	23,211	Current tax liabilities and other debts with public authorities	Note 12.1	10,049	8,427
Other financial assets	Note 8.3	150	314	Customer advances		852,850	807,789
Current prepayments and accrued income		2,706	3,413	Current accruals and deferred income		5	6
Cash and cash equivalents-		10,817	11,004	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,821,216</b>	<b>2,715,348</b>
Cash		10,817	11,004				
<b>TOTAL ASSETS</b>		<b>2,821,216</b>	<b>2,715,348</b>				

The accompanying Notes 1 to 19 are an integral part of the balance sheet at 30 September 2013.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.**  
**(SOLE-SHAREHOLDER COMPANY)**

**INCOME STATEMENT FOR THE YEAR ENDED**

**30 SEPTEMBER 2013**

(Thousands of Euros)

	Notes	2013	2012
<b>Revenue:</b>	<b>Note 14.1</b>	<b>1,843,541</b>	<b>1,908,678</b>
Sales		1,813,277	1,878,540
Services		30,264	30,138
In-house work on non current assets		1,260	1,649
<b>Procurements:</b>	<b>Note 14.2</b>	<b>(1,565,520)</b>	<b>(1,642,610)</b>
Cost of goods held for resale used		(1,563,926)	(1,636,443)
Impairment of goods held for resale	<b>Note 9</b>	(1,594)	(6,167)
<b>Staff costs:</b>	<b>Note 14.3</b>	<b>(70,374)</b>	<b>(70,178)</b>
Wages, salaries and similar expenses		(52,605)	(53,709)
Employee benefit costs		(17,769)	(16,469)
<b>Other operating expenses:</b>		<b>(124,246)</b>	<b>(124,714)</b>
Outside services	<b>Note 14.4</b>	(119,142)	(119,029)
Taxes other than income tax		(722)	(800)
Losses on, impairment of and change in allowances for trade receivables	<b>Note 8.4</b>	(4,273)	(3,556)
Other current operating expenses		(109)	(1,329)
<b>Depreciation and amortisation charge</b>	<b>Notes 5 and 6</b>	<b>(15,944)</b>	<b>(15,712)</b>
<b>Impairment and gains or losses on disposals of non-current assets</b>	<b>Note 6.1</b>	<b>(2,317)</b>	<b>(105)</b>
<b>Other Results</b>		<b>(13)</b>	<b>(18)</b>
<b>PROFIT FROM OPERATIONS</b>		<b>66,387</b>	<b>56,990</b>
<b>Finance income:</b>		<b>63,851</b>	<b>73,785</b>
From investments in equity instruments-	<b>Note 15.2</b>	52,941	42,500
Group companies and associates		52,941	42,500
From marketable securities and other financial instruments-		10,910	31,285
Group companies and associates	<b>Note 15.2</b>	10,910	31,285
<b>Finance costs-</b>		<b>(28,778)</b>	<b>(31,416)</b>
On debts to Group companies and associates	<b>Note 15.2</b>	(17,282)	(21,817)
On debts to third parties		(4,011)	(4,787)
On provisions update	<b>Note 11</b>	(7,485)	(4,812)
Exchange differences		(8)	(1)
<b>Impairment and gains or losses on disposals of financial instruments-</b>	<b>Note 8.2</b>	<b>(5,112)</b>	<b>(8,110)</b>
Impairment and other losses		(5,112)	(8,110)
<b>FINANCIAL PROFIT</b>		<b>29,953</b>	<b>34,258</b>
<b>PROFIT BEFORE TAX</b>		<b>96,340</b>	<b>91,248</b>
Income tax	<b>Notes 12.3 and 12.4</b>	(13,937)	(16,612)
<b>PROFIT FOR THE YEAR</b>		<b>82,403</b>	<b>74,636</b>

The accompanying Notes 1 to 19 are an integral part of the 2013 income statement.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

**COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.**  
**(SOLE-SHAREHOLDER COMPANY)**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2013**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
(Thousands of Euros)

	2013	2012
<b>PROFIT PER INCOME STATEMENT (I)</b>		
	82,403	74,636
Income and expense recognised directly in equity (Note 11)	-	(1,600)
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)</b>	-	(1,600)
Transfers to profit or loss	-	-
<b>TOTAL TRANSFERS TO PROFIT OR LOSS (III)</b>	-	-
<b>TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)</b>	82,403	73,036

The accompanying Notes 1 to 19 are an integral part of the 2013 statement of recognised income and expense.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

## COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A. (SOLE-SHAREHOLDER COMPANY)

### STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED

30 SEPTEMBER 2013

#### B) STATEMENT OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Profit for the Period	Total
<b>BALANCE AT 30 SEPTEMBER 2011</b>	26,550	178,814	6,845	50,306	262,515
Total recognised income and expense	-	-	(1,600)	74,636	73,036
Transactions with shareholders:					
Distribution of 2011 profit-	-	-	1,631	(1,631)	-
To reserves	-	-	-	(48,675)	(48,675)
Dividends	-	-	-	-	-
<b>BALANCE AT 30 SEPTEMBER 2012</b>	26,550	178,814	6,876	74,636	286,876
Total recognised income and expense	-	-	-	82,403	82,403
Transactions with shareholders:					
Distribution of 2012 profit-	-	-	296	(296)	-
To reserves	-	-	-	(74,340)	(74,340)
Dividends (Note 10.3)	-	-	-	-	-
<b>BALANCE AT 30 SEPTEMBER 2013</b>	26,550	178,814	7,172	82,403	294,939

The accompanying Notes 1 to 19 are an integral part of the 2013 statement of changes in total equity.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 19). In the event of a discrepancy, the Spanish-language version prevails.

**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA, S.A.**  
**(SOLE-SHAREHOLDER COMPANY)**

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER 2013**  
(Thousands of Euros)

	Notes	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES (I):</b>		<b>93,190</b>	<b>156,996</b>
Profit for the year before tax		96,340	91,248
Adjustments for		(10,469)	(1,446)
Depreciation and amortisation charge	Notes 5 and 6	15,944	15,712
Results of fixed assets disposals	Note 6	117	105
Fixed Assets Impairment	Note 6.1	2,200	-
Impairment losses	Note 8.2	5,112	8,110
Net impairment losses on stock	Note 9	1,594	6,167
Net impairment losses on trade receivables	Note 8.4	4,273	3,556
Changes in provisions		(4,644)	7,273
Finance income		(63,851)	(73,785)
Finance costs		28,778	31,416
Exchange differences		8	1
Other income and expenses		-	(1)
Changes in working capital		(18,627)	23,966
Inventories		(25,881)	100,695
Trade and other receivables		(5,385)	(34,417)
Other current assets		707	(1,502)
Trade and other payables		11,197	(26,304)
Other current liabilities		(465)	(11,585)
Other non-current assets and liabilities		1,200	(2,921)
Other cash flows from operating activities		25,946	43,228
Interest paid		(21,293)	(26,604)
Dividends received	Note 15.2	52,941	42,500
Interest received	Note 15.2	10,910	31,285
Income tax recovered (paid)		(16,612)	(3,953)
<b>CASH FLOWS FROM INVESTING ACTIVITIES (II):</b>		<b>(104,182)</b>	<b>(44,062)</b>
Payments due to investment		(1,029,861)	(53,152)
Group companies and associates	Notes 8.2 and 15.1	(1,013,594)	(32,304)
Other financial assets	Note 8.4	(5,637)	(7,174)
Intangible assets	Note 5	(448)	(1,451)
Property, plant and equipment	Note 6	(10,182)	(12,223)
Proceeds from disposal		925,679	9,090
Group companies and associates	Note 8.2 and 8.3	925,515	8,900
Other financial assets	Note 8.1	164	190
<b>CASH FLOWS FROM FINANCING ACTIVITIES (III):</b>		<b>10,805</b>	<b>(111,001)</b>
Proceeds and payments relating to financial liability instruments		85,145	(62,326)
Proceeds from issue of borrowings from Group companies and associates		78,512	-
Proceeds from issue of other borrowings		6,633	6,466
Repayment and amortization of borrowings from Group companies and associates		-	(68,220)
Repayment and amortization of other borrowings		-	(572)
Dividends and returns on other equity instruments paid-		(74,340)	(48,675)
Dividends	Note 10.3	(74,340)	(48,675)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)</b>		<b>(187)</b>	<b>1,933</b>
Cash and cash equivalents at beginning of year		11,004	9,071
Cash and cash equivalents at end of year		10,817	11,004

The accompanying Notes 1 to 19 are an integral part of the 2013 statement of cash flows.



## **Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company)**

Notes to the Financial Statements for the  
year ended 30 September 2013

### **1. Company activities**

Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company), until 1999 Marco Ibérica, Distribución de Ediciones, S.A. ("Midesa"), was incorporated in 1964.

In 1999 Tabacalera, S.A. (currently Altadis, S.A.U.) subscribed a capital increase at the Company through the contribution of the tobacco and other product import and distribution business line, including the employees, the physical assets assigned to it and the distribution and transport contracts.

The Company's registered office is at Polígono Industrial Polvoranca, calle Trigo, número 39, Leganés (Madrid), and its present company object includes the following activities:

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

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

On 29 September 2005, the Company's Board of Directors approved the unbundling of the publication and book distribution businesses and, on 30 December 2005, it formed two companies, with the business names of Compañía de Distribución Integral de Publicaciones Logista, S.L. and Logista Libros, S.L., to which each of these business lines were contributed.

On 13 August 2008, the Company was registered at the Mercantile Registry as a sole-shareholder company, the sole shareholder of which is Altadis, S.A.U. (see Note 10).

The Company is the head of a group of subsidiaries, and as such prepares separately consolidated financial statements under IFRSs. The consolidated financial statements of the Logista Group ("the Group") for 2013 have been formally prepared by the Company's directors at the Board of Directors Meeting held on 27 November 2013. The consolidated financial statements for 2012 were approved by the Company's sole shareholder on 26 March 2013, and were filed at the Mercantile Registry of Madrid.

The consolidated financial statements, in comparison with these separate financial statements, reflect an increase in assets, reserves, revenue and profit of EUR 3,724,510 thousand, EUR 165,885 thousand, EUR 8,019,273 thousand and EUR 5,202 thousand, respectively (EUR 978,841 thousand, EUR 151,632 thousand, EUR 3,634,640 thousand and EUR 7.550 thousand, respectively, in 2012). However, this effect also includes the impact of applying IFRSs in the consolidated financial statements.

In turn, Altadis, S.A.U., the Company's parent, belongs to the Imperial Tobacco Group, 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 Tobacco Group for 2012 were formally prepared by its directors at the Board of Directors meeting held on 30 October 2012.

## **2. Basis of presentation of the financial statements**

### ***2.1 Regulatory financial reporting framework applicable to the Company***

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

- a) The Spanish Commercial Code and all other Spanish corporate law.
- b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007.
- c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- d) All other applicable Spanish accounting legislation.

### ***2.2 Fair presentation***

The financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for the corresponding period. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the sole shareholder, and it is considered that they will be approved without any changes. The financial statements for 2012 were approved by the sole shareholder on 26 March 2013.

### **2.3 Accounting principles applied**

The directors formally prepared these financial statements taking into account all the obligatory accounting principles and standards with a significant effect hereon.

### **2.4 Key issues in relation to the measurement and estimation of uncertainty**

In preparing the accompanying financial statements estimates were made by the Company'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 calculation of pension and other obligations to employees (see Note 4.12)
- The useful life of property, plant and equipment and intangible assets (see Notes 4.1, 4.2 and 4.3)
- The estimate of possible impairment losses on certain assets (see Note 4.2).
- The calculation of provisions for contingencies (see Note 4.10)
- The calculation of allowances for financial assets (see Note 4.5.1)

Although these estimates were made on the basis of the best information available at 2013 year-end, events that cannot currently be foreseen might make it necessary to change these estimates (upwards or downwards) in the future.

### **2.5 Comparative information**

The information included in these notes to the financial statements for 2012 is presented for comparison purposes with that relating to 2013.

### **2.6 Grouping of items**

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the financial statements.

## **3. Distribution of profit**

The proposed distribution of 2013 profit (EUR 82,403 thousand) that the Company's directors will submit for approval by its sole shareholder consists of a payment out of profit for the year of a dividend of EUR 1.80 per share and the assignment of the remaining profit obtained in the year to increase the "Voluntary Reserves" balance, the detail being as follows:

	Thousands of Euros
To voluntary reserves	2,753
Dividends	79,650
<b>Total</b>	<b>82,403</b>

## **4. Accounting policies and measurement bases**

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2013, in accordance with the Spanish National Chart of Accounts, were as follows:

### **4.1 Intangible assets**

Intangible assets relate to computer software and are measured at the costs incurred in the acquisition and development of computer programs, including website development costs. Computer software maintenance

costs are recognised with a charge to the income statement for the period in which they are incurred. Computer software is amortised on a straight-line basis over an estimated useful life of between three and five years, depending on the characteristics of the programs.

#### **4.2 Property, plant and equipment**

Property, plant and equipment are initially recognised at acquisition or production cost and are subsequently reduced by the related accumulated depreciation and by any impairment losses recognised. The acquisition cost of items acquired as a result of asset contributions is deemed to be the market value of these assets determined by independent experts at the date of the contribution.

Property, plant and equipment upkeep and maintenance expenses are recognised in the income statement for the year in which they are incurred. However, the costs of improvements leading to increased capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

In-house work on these 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 Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the years of estimated useful life of the assets, being the detail as follows:

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

"Asset exchange" means the acquisition of property, plant and equipment or intangible assets in exchange for the delivery of other non-monetary assets or of a combination of monetary and non-monetary assets. An asset exchange transaction has commercial substance if the configuration or the fair value of the cash flows of the asset received differs from the configuration or the fair value of the cash flows of the asset given up. As a general rule, the asset received in an asset exchange transaction with commercial substance is recognised at the fair value of the asset given up, provided that this fair value can be measured reliably. Otherwise, the asset received is recognised at the carrying amount of the asset given up at the transaction date.

#### **Impairment of intangible assets and property, plant and equipment**

The Company assesses each year the possible existence of 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.

For the purposes of this impairment test, recoverable amount is the higher of fair value less the estimated costs to sell the asset and its value in use. Value in use is calculated based on estimated future cash flows, discounted at a rate that reflects the time value of money and the risks specifically associated with the asset. Fair value is the amount obtainable from the disposal of the asset concerned in an arm's length transaction and is determined based on market information, external transactions, etc.

The recoverable amounts were calculated for each cash-generating unit using profit and loss, investment and working capital projections for the next three years. The discount rate used ranged from 10.9% to 12.1% in 2013 (2012: from 10.6% to 12.7%). Also, the growth rate of activity used to calculate the residual value of each cash-generating unit after the projected period was 0%.

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 corresponding 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.

The aforementioned analysis did not bring to light any signs of impairment of property, plant and equipment or intangible assets that would have required the recognition of an impairment loss.

#### **4.3 Investment property**

"Investment Property" in the balance sheet reflects the values of the land, buildings and other structures held either to earn rentals or for capital appreciation.

Investment property is measured as described in Note 4.2 on property, plant and equipment.

#### **4.4 Leases**

The Company has entered into various leases under which it uses assets or transfers the use of certain types of assets. Since the corresponding leases do not transfer to the Company the rights and risks incidental to ownership of these assets, they were classified as operating leases.

In cases where the Company acts as lessor, lease income from operating leases is credited to the income statement in the year in which it is obtained. Also, the acquisition cost of the leased asset is presented in the balance sheet according to the nature of the asset.

In cases where the Company acts as lessee, expenses resulting from operating leases are charged to income in the year in which they are incurred.

The annual cost of operating leases is calculated by distributing the sum of all the pre-established payments i.e. not subject to unknown variables at the date the lease was arranged, on a straight-line basis over the lease term.

#### **4.5 Financial instruments**

##### **4.5.1 Financial assets**

###### Trade receivables, loans and other accounts receivable

Trade and other receivables are stated at nominal value, considered to be equal to their fair value.

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

Guarantees and deposits are measured at the amounts paid.

The valuation adjustments relating to trade and other receivables and loans are determined individually on the basis of the solvency of the debtor and the age of the debt.

###### Equity investments in Group companies, jointly controlled entities and associates

Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

These investments are measured at cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment.

At year end the Company carries out impairment tests if its investees present recurring losses. The recoverable amount is measured following the same methodology as explained in Note 4.2 for "Property, plant and equipment".

#### Cash and cash equivalents

Cash includes both cash and demand deposits. The other cash equivalents are short-term investments with a maturity of under three months, which are not exposed to any significant risk of changes in their value.

The Company 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.

#### **4.5.2 Financial liabilities**

Trade payables, loans received and other accounts payable are initially recognised at fair value, which generally coincides with their nominal value, reduced by transaction costs, and are subsequently measured at amortised cost.

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

#### **4.5.3 Equity instruments**

Capital instruments issued by the Company are recognised in equity at the proceeds received, net of issue costs.

#### **4.6 Inventories**

In general, inventories are measured 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 the excise duty chargeable on inventory items yet to be sold in accordance with the Spanish Law, and net realisable value.

Net realisable value is the estimated selling price less the costs of marketing, selling and distribution.

The Company recognises the appropriate write-downs as an expense in the income statement when the net realisable value of the inventories is lower than acquisition cost.

#### **4.7 Transactions in currencies other than the euro**

The Company's functional currency is the euro. Therefore, transactions in currencies other than the euro are deemed to be "Transactions in currencies other than the euro" and are recognised by applying the exchange rates prevailing at the date of the transaction.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the income statement in the year in which they arise.

#### **4.8 Income tax**

Tax expense (or tax income) comprises current tax expense (or current tax income) and deferred tax expense (or deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

In general, deferred tax liabilities are recognised for all taxable temporary differences. However, deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are 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 assets are 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.

The Company has the tax authorities' permission to file consolidated income tax and VAT returns, since it forms part of a consolidated tax Group, the Parent of which is Imperial Tobacco Spain.

#### **4.9 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.

Revenue from sales is recognised when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer.

In purchase and sale transactions on which the Company receives commission, regardless of the legal form of such transactions, only commission income is recognised. Distribution and sales commissions are recognised in revenue. The Company recognises income and expenses on transactions involving products held on a commission basis (mainly stamps and certain tobacco 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 has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

#### **4.10 Provisions and contingencies**

When preparing the financial statements the Company's directors made a distinction between:

- a) Provisions: credit balances covering present obligations arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits that is uncertain as to its amount and/or timing will be required to settle the obligations; and
- b) Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control.

The financial statements at 30 September 2013 include all the provisions with respect to which it is considered likely that the obligation will have to be settled. Contingent liabilities are not always recognised in the financial statements, but rather are disclosed on the Notes to the financial statements.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account the information available on the event and its consequences. Where discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis.

#### **4.11 Termination benefits**

Under current labour legislation and certain employment contracts, the Company is required to pay termination benefits to employees terminated under certain conditions. Termination benefits that can be reasonably quantified are recorded as an expense in the year in which the decision about the termination is adopted.

The accompanying balance sheet at 30 September 2013 includes the provisions that the Directors considered to be necessary to cater for the labour force restructuring plans in progress at year-end (see Notes 11.1 and 11.4).

#### **4.12 Pension and other obligations to employees**

The Company is obliged to supplement the social security benefits received by certain employee groups, mainly in the event of retirement, disability or death.

In general, the obligations acquired are defined contribution obligations and are externalised through external pension plans and insurance contracts. The contributions made by the Company, amounting to EUR 2,591 thousand and EUR 2,653 thousand in 2013 and 2012, respectively, are recognised under "Staff Costs" in the income statement (see Note 14.3).

Under the collective agreements currently in force, the Company is obliged to make a lump sum payment of a specific amount on the date of retirement and another payment on completion of 24 years of service at the Company, subject to compliance with certain conditions. The Company is obliged to make fixed monthly payments to a certain group of current employees and employees who retired prior to 1 January 2009. To cover its obligations, the Company recognised provisions 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 3.45% as the main assumptions (see Note 11.3).

On 25 June 2008, the Company's Board of Directors approved the "2008 Medium-Term Incentives Plan" under which certain employees are entitled to receive, at the end of the third year from the inception of each block into which the plan is divided, an amount calculated on the basis of the amount deposited by each employee in an external financial entity at the inception of each block and the growth in each three-year period of certain assets related to operations.

In 2013 and 2012 the first two phases of this incentive plan were completed after the Company made payments to its employees of EUR 2,132 thousand and EUR 1,679 thousand, respectively.

On 31 January 2012, the Company's Board of Directors approved the "2011 medium-term incentive plan", the conditions of which are similar to those of the previous incentive plan, although employees are not required to make the aforementioned deposit at an external entity.

The Company 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 income statement for 2013 includes EUR 2,188 thousand in this connection (2012: EUR 1,966 thousand).



#### 4.13 Joint ventures

The Company accounts for investments in unincorporated temporary joint ventures (UTES) by recognising in its balance sheet the share corresponding to it, in proportion to its ownership interest, of the jointly controlled assets and of the jointly incurred liabilities.

Also, it recognises in the income statement its share of the income earned and expenses incurred by the joint venture. In addition, the proportional part corresponding to the Company of the related items of the joint venture is included in the statement of changes in equity and the statement of cash flows.

#### 4.14 Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

#### 4.15 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and improve the environment, including the reduction or elimination of future pollution.

Because of their nature, the Company's business activities do not have a significant environmental impact.

#### 4.16 Current/Non-current classification

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within twelve months from the end of the reporting period, held-for-trading financial assets, and cash and cash equivalents. Assets that do not meet these requirements are classified as non-current assets.

Similarly, current liabilities are liabilities associated with the normal operating cycle, held-for-trading financial liabilities and, in general, all obligations that will mature or be extinguished at short term. All other liabilities are classified as non-current liabilities.

### 5. Intangible assets

The changes in "Intangible Assets" in the balance sheet in 2013 and 2012 were as follows:

2013

	Thousands of Euros			
	Balance at 30/09/12	Additions or Charge for the Year	Transfers (Note 6.1)	Balance at 30/09/13
<b>Cost:</b>				
Computer software	61,993	448	4,452	66,893
	61,993	448	4,452	66,893
<b>Accumulated amortisation:</b>				
Computer software	(48,958)	(4,984)	-	(53,942)
	(48,958)	(4,984)	-	(53,942)
<b>Intangible assets, net</b>	<b>13,035</b>	<b>(4,536)</b>	<b>4,452</b>	<b>12,951</b>

The transfers relate to software enhancements and new developments that were transferred from "Property, Plant and Equipment" (see Note 6.1).

2012

	Thousands of Euros			
	Balance at 30/09/11	Additions or Charge for the Year	Transfers (Note 6.1)	Balance at 30/09/12
<b>Cost:</b>				
Computer software	57,950	1,451	2,592	61,993
	57,950	1,451	2,592	61,993
<b>Accumulated amortisation:</b>				
Computer software	(44,242)	(4,716)	-	(48,958)
	(44,242)	(4,716)	-	(48,958)
<b>Intangible assets, net</b>	<b>13,708</b>	<b>(3,265)</b>	<b>2,592</b>	<b>13,035</b>

At the end of 2013 and 2012 the Company had fully amortised intangible assets amounting to EUR 41,975 thousand and EUR 37,445 thousand, respectively.

At the end of 2013 the Company had firm computer software purchase commitments amounting to EUR 1,431 thousand (end of 2012: EUR 1,947 thousand). These purchases will be financed with funds generated by the Company's activities.

## 6. Property, plant and equipment and investment property

### 6.1 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the balance sheet in 2013 and 2012, and the most significant information affecting this heading were as follows:

2013

	Thousands of Euros				
	Balance at 30/09/12	Additions or Charge for the Year	Disposals	Transfers (Notes 5 and 6.2)	Balance at 30/09/13
<b>Cost:</b>					
Land and buildings	106,670	10	(868)	(21,075)	84,737
Plant and machinery	26,891	6	(49)	318	27,166
Other fixtures, tools and furniture	43,707	108	(265)	1,733	45,283
Other items of property, plant and equipment	52,177	233	(163)	2,313	54,560
Property, plant and equipment in progress	19,462	9,825	-	(9,411)	19,876
	248,907	10,182	(1,345)	(26,122)	231,622
<b>Accumulated depreciation:</b>					
Buildings	(49,926)	(1,936)	868	12,169	(38,825)
Plant and machinery	(21,760)	(1,172)	49	-	(22,883)
Other fixtures, tools and furniture	(28,792)	(3,260)	265	-	(31,787)
Other items of property, plant and equipment	(37,043)	(4,437)	46	-	(41,434)
	(137,521)	(10,805)	1,228	12,169	(134,929)
<b>Impairment:</b>					
Other items of property, plant and equipment	-	(2,200)	-	-	(2,200)
	-	(2,200)	-	-	(2,200)
<b>Property, plant and equipment, net</b>	<b>111,386</b>	<b>(2,823)</b>	<b>(117)</b>	<b>(13,953)</b>	<b>94,493</b>

The additions to "Property, Plant and Equipment in progress" relate mainly to investments in technological infrastructure renovation projects to increase the functionality of the operational platforms, and investments in expansion and improvement of the Company's warehouses, as part of the Company's ordinary business.

In addition, in 2013 the Company derecognised partially depreciated items of property, plant and equipment amounting to approximately EUR 117 thousand. The loss arisen from this operation has been recorded in the caption "Impairment and gains or losses on disposals of non-current assets" in the accompanying Income statement for 2013.

The transfers for the year relate mainly to the asset exchange transaction performed in 2013, whereby the Company handed over to the Municipal Council of Cádiz the land and building corresponding to its Puntales warehouse, the carrying amount of which at the transaction date was EUR 6,661 thousand. The land received in exchange was recognised at the carrying amount of the asset given up, since a reliable measure of the fair value of the land received was not available at the transaction date, and it was classified under "Investment Property" in the accompanying balance sheet.

In addition, the transfers in 2013 include the reclassification of various computer software items that entered into use in the year from "Property, plant and equipment in the course of construction" to "Intangible Assets" for a total amount of EUR 4,452 thousand.

Lastly, the Company transferred EUR 2,840 thousand in the year to "Investment Property" in the accompanying balance sheet, relating to the cost and accumulated depreciation of the building owned by it in Sintra (Portugal), which was leased out to a third party in 2013.

In 2013 the Company recognised an impairment loss of EUR 2,200 thousand on the portion attributable to it of the carrying amount of certain POS terminals owned by the unincorporated temporary joint venture (UTE) in which it has a 50% interest (see Note 8.3) which were not in operation at the end of the reporting period.

## 2012

	Thousands of Euros				
	Balance at 30/09/11	Additions or Charge for the Year	Disposals	Transfers (Note 5)	Balance at 30/09/12
<b>Cost:</b>					
Land and buildings	106,389	-	-	281	106,670
Plant and machinery	27,285	32	(61)	(365)	26,891
Other fixtures, tools and furniture	42,442	125	(58)	1,198	43,707
Other items of property, plant and equipment	51,132	587	(225)	683	52,177
Property, plant and equipment in the course of construction	12,372	11,479	-	(4,389)	19,462
	239,620	12,223	(344)	(2,592)	248,907
<b>Accumulated depreciation:</b>					
Buildings	(47,795)	(2,131)	-	-	(49,926)
Plant and machinery	(20,664)	(1,157)	61	-	(21,760)
Other fixtures, tools and furniture	(25,742)	(3,106)	56	-	(28,792)
Other items of property, plant and equipment	(32,574)	(4,591)	122	-	(37,043)
	(126,775)	(10,985)	239	-	(137,521)
<b>Property, plant and equipment, net</b>	<b>112,845</b>	<b>1,238</b>	<b>(105)</b>	<b>(2,592)</b>	<b>111,386</b>

The detail of the value of the land and buildings relating to the properties owned by the Company at the end of 2013 and 2012 is as follows:

Property	Thousands of Euros	
	2013	2012
Land	17,707	25,476
Buildings	67,030	81,194
<b>Total</b>	<b>84,737</b>	<b>106,670</b>

The detail of the property, plant and equipment located outside Spain (at the Portugal branch) at 30 September 2013 and 2012 is as follows:

Description	Thousands of Euros			
	2013		2012	
	Gross Carrying Amount	Accumulated Depreciation	Gross Carrying Amount	Accumulated Depreciation
Land and buildings	-	-	4,749	(1,614)
Other fixtures, tools and furniture	3,136	(2,296)	3,047	(2,260)
Other items of property, plant and equipment	1,276	(1,179)	1,243	(1,226)
<b>Total</b>	<b>4,412</b>	<b>(3,475)</b>	<b>9,039</b>	<b>(5,100)</b>

At the end of 2013 and 2012 the Company had fully depreciated items of property, plant and equipment, the detail being as follows:

Description	Thousands of Euros	
	Gross Carrying Amount	
	2013	2012
Buildings	15,146	26,265
Plant and machinery	15,206	14,771
Other fixtures, tools and furniture	10,468	10,143
Other items of property, plant and equipment	22,376	18,956
<b>Total</b>	<b>63,196</b>	<b>70,135</b>

At the end of 2013 the Company had yet to formalise the acquisition of a land lot in Alcalá de Guadaira (Seville), for which it paid an advance of EUR 4,671 thousand in 2005, which is recognised under "Property, Plant and Equipment in the Course of Construction". This formalisation is dependent upon the municipal authority executing the corresponding land development projects. The Company's directors have begun to take steps to ensure that the municipal authority meets its commitments.

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. The Company's directors consider that the coverage of these insurance policies is sufficient.

At the end of 2013 the Company had firm fixed assets purchase commitments amounting to EUR 639 thousand (end of 2012: EUR 8,899 thousand). These purchases will be financed with funds generated by the Company's activities.

## 6.2. Investment property

The changes in "Investment property" in the balance sheet in 2013 and 2012, and the most significant information affecting this heading were as follows:

2013

	Thousands of Euros			
	Balance at 30/09/12	Additions or Charge for the Year	Transfers (Note 6.1)	Balance at 30/09/13
<b>Cost:</b>				
Land and buildings	1,286	-	11,410	12,696
	1,286	-	11,410	12,696
<b>Accumulated depreciation:</b>				
Buildings	(777)	(155)	(1,909)	(2,841)
	(777)	(155)	(1,909)	(2,841)
<b>Property, plant and equipment, net</b>	<b>509</b>	<b>(155)</b>	<b>9,501</b>	<b>9,855</b>

2012

	Thousands of Euros		
	Balance at 30/09/11	Additions or Charge for the Year	Balance at 30/09/12
<b>Cost:</b>			
Land and buildings	1,286	-	1,286
	1,286	-	1,286
<b>Accumulated depreciation:</b>			
Buildings	(766)	(11)	(777)
	(766)	(11)	(777)
<b>Property, plant and equipment, net</b>	<b>520</b>	<b>(11)</b>	<b>509</b>

The Company's investment property at 30 September 2013 include land and buildings located in Málaga (EUR 407 thousand) and Barcelona (EUR 91 thousand) not used in commercial operations, the sale of which is expected to give rise to gains, although there are no plans to sell them in the short term.

Additionally, in 2013 the carrying amount of the building located in Sintra, Portugal, which the Company leased out to a third party during the year, was reclassified from "Property, Plant and Equipment" in the accompanying balance sheet. The transferred carrying amount of this building is EUR 2,840 thousand (see Note 6.1).

Lastly, the Company performed an asset exchange transaction in the year whereby it received a plot of land in Puntales, Cádiz. It expects to obtain a return from the sale of this land, although it does not intend to dispose of it in the short term. The value of the aforementioned plot of land at 30 September 2013 amounted to EUR 6,661 thousand (see Note 6.1).

The 2013 investment property depreciation charge amounted to EUR 155 thousand (2012: EUR 11 thousand).

## **7. Leases**

### **7.1. Operating lease expenses**

As lessee the most significant lease entered into by the Company relates to an industrial building complex in Cabanillas del Campo (Guadalajara) which, in turn, has been partially subleased to the Group company Logista Libros, S.L. The lease commenced on 2 June 2008 and expires on 31 December 2015 and is automatically renewable for a further three five-year periods until 30 December 2030, except in case of explicit resign by any of the parties. The rent is reviewed annually in line with the CPI and gave rise to an expense of EUR 3,332 in 2013 (2012: EUR 3,334 thousand). In 2013 the related sublease gave rise to income of EUR 2,844 thousand (2012: EUR 2,803 thousand).

The amount of the lease and sublease payments recognised as an expense and as income, respectively, in 2013 and 2012 was as follows:

	Thousands of Euros	
	2013	2012
Lease payments accrued (Note 14.4)	8,853	9,842
(Sublease payments)	(3,089)	(2,936)
<b>Total net</b>	<b>5,764</b>	<b>6,906</b>

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

	Thousands of Euros	
	Nominal Value	
<b>Minimum Operating Lease Payments</b>	2013	2012
Within one year	7,581	8,107
Between one and five years	8,214	13,214
<b>Total</b>	<b>15,975</b>	<b>21,321</b>

### **7.2. Income from operating leases**

The rents recognised as income in 2013 and 2012 amounted to EUR 3,289 thousand and EUR 3,223 thousand, respectively (including the ones mentioned in Note 7.1).

As lessor, at the end of 2013 and 2012 the Company had entered into lease agreements which generate future collection rights on the following lease payments without considering increases in the CPI or other contractual lease payment revisions:

	Thousands of Euros	
	Nominal Value	
<b>Minimum Operating Lease Payments</b>	2013	2012
Within one year	3,089	2,803
<b>Total</b>	<b>3,089</b>	<b>2,803</b>

## **8. Financial assets (non-current and current)**

### ***8.1 Non-current financial assets***

The balance of "Non-Current Financial Assets" at the end of 2013 and 2012 includes mainly guarantees and deposits given to secure compliance with contractual obligations to third parties.

### ***8.2 Non-current investments in Group companies and associates***

The detail of "Non-Current Investments in Group Companies and Associates" at 30 September 2013 and 2012 is as follows:

Description	Thousands of Euros	
	2013	2012
Equity instruments	1,559,168	638,821
Loans to companies	19,347	24,700
<b>Total</b>	<b>1,578,515</b>	<b>663,521</b>

#### ***8.2.1. Equity instruments***

The most significant information in relation to Group Companies and Associates at 2013 and 2012 year-end is as follows:

2013

2013	Company	Location	% of ownership		Thousands of Euros									
					Data on the companies				Carrying Amount					
			Direct	Indirect	Share Capital	Profit (Loss) for the year		Reserves and others	Total Equity	Dividends received (Note 15.2)	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment	Long term Provision (Note 11.5)
						Profit (Loss) from operations	Profit (Loss) for the year							
	Midisid - Sociedade Portuguesa de Distribuicao, S.A.	Alcochete (Portugal)	100	-	844	560	(778)	1,613	1,679	-	4,166	(778)	(2,487)	-
	Logista-Dis, S.A.U.	Madrid	100	-	902	4,537	3,195	732	4,829	2,235	1,202	-	-	-
	Dronas 2002, S.L.U.	Barcelona	100	-	12,562	2,592	(4,501)	25,115	33,176	-	21,292	-	-	-
	Logista Promotion et Transport S.A.S. (****)	Tremblay (France)	100	-	11,108	147	190	(16,514)	(5,216)	-	10,989	-	(10,989)	-
	Logista Transportes, Transitários e Pharma, Lda.	Sintra (Portugal)	100	-	50	(522)	(736)	-	(686)	-	16,179	(1,768)	(16,179)	(686)
	Logesta Gestión de Transporte, S.A.U.	Madrid	100	-	1,000	650	1,274	3,655	5,929	2,230	4,510	-	-	-
	Logista Italia, S.p.A	Roma (Italy)	100	-	15,164	39,345	34,900	19,722	69,786	48,335	605,629	-	-	-
	La Mancha 2000, S.A.U.	Madrid	100	-	1,352	60	130	836	2,318	141	1,352	-	-	-
	Logesta Polska Sp. z o.o.	Varsovia (Poland)	49	51 (**)	226	497	398	(205)	419	-	128	-	-	-
	Distribuidora del Noroeste, S.L.	Vigo	49	51 (*)	307	195	134	595	1,036	-	271	-	-	(689)
	Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Madrid	100	-	1,100	(1,638)	(4,811)	1,005	(2,706)	-	6,094	(94)	(6,094)	(2,706)
	Logista Libros, S.L.	Madrid	50	-	500	(1,263)	(1,326)	2,610	1,784	-	1,490	(598)	(598)	-
	Compañía de Distribución Integral Logista Polska, Sp.z.o.o.	Varsovia (Poland)	100	-	271	(169)	(400)	244	115	-	9,186	(1,874)	(7,135)	(1,936)
	Logista France, S.A.S. (***)	Paris (France)	100	-	107,250	74,562	42,170	1,553	150,973	-	920,162	-	-	(1,936)
											1,602,650	(5,112)	(43,482)	(6,017)

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

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

(\*\*\*) Former Altadis Distribution France, S.A.S.

(\*\*\*\*) Former Logista France, S.A.S.



On 22 January 2013, the Company made a supplementary contribution of EUR 1,372 thousand to Logista Transportes, Transitários e Pharma, Lda.

On 5 April 2013, the Company made a supplementary contribution of EUR 3,925 thousand to Compañía de Distribución Integral Logista Polska, Sp. z.o.o.

On 9 October 2012, the Company acquired all the shares of Altadis Distribution France, S.A.S. from Seita S.A.S., a company also belonging to the Imperial Tobacco Limited Group. The transaction price was EUR 920,162 thousand, which were paid through the transfer of the same amount from the Company's account receivable from Altadis España, S.A.U. (see Note 15.1). Following its acquisition, the aforementioned company changed its name to Logista France, S.A.S.

In 2013, the Company recognised impairment losses amounting to EUR 5,112 thousand on its investments classified under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying income statement.

2012

2012														
Company	Location	% of ownership		Location	Thousands of Euros					Carrying Amount				
					Data on the companies				Dividends received (Note 15.2)	Cost	Impairment Loss Recognised in the Year	Accumulated Impairment	Long term Provision (Note 11.5)	
					Share Capital	Profit (Loss) for the year		Reserves and others						Total Equity
						Profit (Loss) from operations	Profit (Loss) for the year							
Midsid - Sociedade Portuguesa de Distribuicao, S.A.	Alcochete (Portugal)	100	-	844	(107)	(1,494)	3,108	2,458	-	4,166	(350)	(1,709)	-	
Logista-Dis, S.A.U.	Madrid	100	-	902	3,155	2,235	732	3,869	2,500	1,202	-	-	-	
Dronas 2002, S.L.U.	Barcelona	100	-	12,562	6,180	4,868	22,167	39,597	2,000	21,292	-	-	-	
Logista France, S.A.S. (***)	Tremblay (France)	100	-	11,108	773	1,276	(17,790)	(5,406)	-	10,989	-	(10,989)	-	
Logista Transportes, Transitários e Pharma, Lda.	Sintra (Portugal)	100	-	50	(1,065)	(1,372)	-	(1,322)	-	14,807	-	(14,411)	(1,234)	
Logesta Gestión de Transporte, S.A.U.	Madrid	100	-	1,000	1,705	2,252	3,633	6,885	1,000	4,510	-	-	-	
Logista Italia, S.p.A	Roma (Italy)	100	-	15,164	53,937	48,519	19,538	83,221	37,000	605,629	-	-	-	
La Mancha 2000, S.A.U.	Madrid	100	-	1,352	92	157	821	2,330	-	1,352	-	-	-	
Logesta Polska Sp. z o.o.	Varsovia (Poland)	49	51 (**)	226	538	449	(653)	22	-	128	-	-	(199)	
Distribuidora del Noroeste, S.L.	Vigo	49	51 (*)	307	87	54	541	902	-	271	-	-	(1,540)	
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Madrid	100	-	1,100	(1,888)	(6,756)	7,761	2,105	-	6,094	(6,000)	(6,000)	-	
Logista Libros, S.L.	Madrid	50	-	500	1,599	902	1,708	3,110	-	1,490	-	-	-	
Compañía de Distribución Integral Logista Polska, Sp z o.o.	Varsovia (Poland)	100	-	271	(754)	(814)	(2,635)	(3,178)	-	5,261	-	(5,261)	(3,044)	
										677,191	(6,350)	(38,370)	(6,017)	

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

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

(\*\*\*) Currently Logista Promotion et Transport, S.A.S.

### 8.2.2. Loans to Group companies

"Loans to Group Companies" includes a loan of EUR 52,500 thousand granted to the investee Dronas 2002, S.L. against which EUR 19,347 thousand had been drawn down at 30 September 2013 (24,700 at 30 September 2012). The interest applied to this loan is the official ECB rate plus a spread of 5%, payable annually. The loan matures on 31 December 2015, until which time advance payments may be made.

### 8.3. Joint ventures

On 15 October 2009, Compañía de Distribución Integral Logista, S.A.U. and GTECH Global Lottery, S.L.U. with a share of 50% each one formed the UTE known as "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo, número 1" on an equal-footing basis to render services to the Spanish National Organisation for the Blind (ONCE). At the end of 2013 the Company has an ownership interest of 50% in this UTE, the same since its constitution.

The main information relating to this joint venture, at 30 September 2013 and 2012, is as follows:

Thousands of Euros	2013		2012	
	Total UTE	Total Attributed to the Company	Total UTE	Total Attributed to the Company
Assets	25,261	12,631	27,941	13,971
Loss	(19,882)	(9,941)	(25,249)	(12,625)
Sales	19,705	9,853	17,952	8,976

The participants of Compañía de Distribución Integral Logista, S.A.U. and GTECH Global Lottery, S.L.U. Unión Temporal de Empresas granted the Company a loan through a monetary contribution borne on a 50/50 basis, which at 30 September 2013 amounted to EUR 115,195 thousand. The Company has recognised an amount of EUR 28,799 thousand in this connection (2012: 22,394) which are classified in the captions "Current financial assets – Loans to companies" and "Other current financial liabilities" of the accompanying balance sheet.

On 26 October 2010, Compañía de Distribución Integral Logista, S.A.U. and Indra Sistemas, S.A. formed, with ownership interests of 97% and 3% respectively, the unincorporated temporary joint venture called "Compañía de Distribución Integral Logista, S.A.U. and Indra Sistemas, S.A., Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo, número 1", which is engaged in the provision of services for the Andalusian transport authority network. The assets and liabilities of this UTE, together with its results at the end of the reporting period were not significant at 30 September 2013.

### 8.4 Information on the nature and level of risk of financial instruments

The management of the risks to which the Company is exposed in the course of its business activities constitutes one of the basic pillars of its activities aimed at preserving the value of its assets and its shareholder's investment.

The Company's financial risk management is centralised in its Corporate Finance Division. This Division has established the mechanisms required to control -based on the structure and financial position of the Company and on the economic variables of the business- exposure to interest rate and exchange rate fluctuations and credit and liquidity risk.

The main risks and uncertainties faced by the Company derive mainly from the possible regulatory changes in the industries in which it operates, the usual operational risks arising in the ordinary course of business and counterparty risk (customer insolvencies).

#### a) Credit risk:

The Company's principal financial assets are cash and cash equivalents and trade and other receivables, the latter two concentrating the risks of doubtful debts and past-due amounts. In general, the Company holds its cash

and cash equivalents at banks with high credit ratings and controls the risks of doubtful debts and past-due amounts by setting credit limits and establishing stringent conditions with respect to collection periods.

Accounts receivable represent mainly the uncollected balances from the sale of tobacco. The commercial risk is distributed among a large number of customers with shorter collection periods and with traditionally very low default rates. Therefore, exposure to credit risk arising from third parties outside the Group is not very significant.

The changes in impairment losses on trade receivables in 2013 and 2012 were as follows:

	Thousands of Euros
Impairment loss at 30 September 2011	12,513
Charge for the period	3,556
Amount reversed	(1,067)
Impairment loss at 30 September 2012	15,002
Charge for the year	4,273
Amount reversed	(2,257)
<b>Impairment loss at 30 September 2013</b>	<b>17,018</b>

**b) Liquidity risk:**

The Company had working capital deficiencies of EUR 1,230,265 thousand and EUR 336,625 thousand at 30 September 2013 and 2012, respectively.

In any case, to ensure liquidity and in order to meet all the payment obligations arising from its business activities, the Company's balance sheet includes the cash and the credit and financing facilities, including a short-term loan to Altadis, S.A.U. of EUR 253 million (2012: EUR 1,096 million) which is detailed in Note 15.1.

**c) Market risk (including interest rate, foreign currency and other price risks):**

In relation to its cash and cash equivalents, the Company is exposed to interest rate fluctuations which might affect its profit and cash flows. However, due to the Company's low borrowing level, management considers that the impact thereof would under no circumstances be material.

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 13).

The Company 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.

## **9. Inventories**

The detail of "Goods Held for Resale" at 30 September 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Tobacco	344,315	325,926
Other goods held for resale	7,903	8,743
Advances to suppliers	14	77
Write-downs	(1,046)	(7,847)
	<b>351,186</b>	<b>326,899</b>

The changes in the write-downs relating to "Inventories" in the accompanying balance sheet were as follows:

	Thousands of Euros
Inventory write-down at 30 September 2011	1,680
Charge for the year	6,167
Inventory write-down at 30 September 2012	7,847
Charge for the year	1,594
Amount reversed	(8,395)
<b>Inventory write-down at 30 September 2013</b>	<b>1,046</b>

The write-downs recognised under "Procurements" in the accompanying income statement for 2013 and 2012 were the result of tobacco inventories that were defective or were not marketable at year-end.

## **10. Equity and shareholders' equity**

At 30 September 2013 and 2012, the Company's share capital amounted to EUR 26,550 thousand and was represented by 44,250,000 fully subscribed and paid shares of EUR 0.60 par value each, all of the same class. At 30 September 2013 and 2012, the Company's sole shareholder was Altadis, S.A.U.

Pursuant to Article 16 of the Consolidated Spanish Limited Liability Companies Law, on 24 July 2008 the Company registered its sole-shareholder status at the Mercantile Registry. The nature of the Company's transactions and agreements with its sole shareholder are detailed in Note 15.

### ***10.1 Share premium***

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

### ***10.2 Legal reserve***

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

At the end of 2013 the balance of this reserve had reached the legally required minimum.

### 10.3 Dividends

On 26 March 2013 the sole shareholder resolved to distribute a dividend of EUR 1.68 per share out of 2012 profit, the total amount of the dividend distributed being EUR 74,340 thousand.

## 11. Provisions

### 11.1 Detail of balances and movements in the year

The detail of the provisions in the balance sheet at 2013 and 2012 year-end and of the main changes therein during the years is as follows:

#### 2013

Long-Term Provisions	Thousands of Euros			
	Balance at 30/09/12	Additions	Amounts Used/ Reversals	Balance at 30/09/13
Provision for excise duties	97,901	6,981	-	104,882
Provision for customs duty assessments	9,382	288	(4,797)	4,873
Employee benefit obligations	7,140	-	-	7,140
Other provisions for employees	864	-	-	864
Other provisions for contingencies and charges	11,549	1,809	-	13,358
	<b>126,836</b>	<b>9,078</b>	<b>(4,797)</b>	<b>131,117</b>

Short-Term Provisions	Thousands of Euros			
	Balance at 30/09/12	Additions	Amounts Used/ Reversals	Balance at 30/09/13
Employee benefit obligations	325	216	(284)	257
Provisions for restructuring costs (Note 4.11)	2,820	1,818	(3,239)	1,399
Other provisions for contingencies and charges	1,085	49	-	1,134
	<b>4,230</b>	<b>2,083</b>	<b>(3,523)</b>	<b>2,790</b>

#### 2012

Long-Term Provisions	Thousands of Euros			
	Balance at 30/09/11	Additions	Amounts Used/ Reversals	Balance at 30/09/12
Provision for excise duties	99,143	4,055	(5,297)	97,901
Provision for customs duty assessments	8,894	488	-	9,382
Employee benefit obligations	5,540	1,600	-	7,140
Other provisions for employees	869	-	(5)	864
Other provisions for contingencies and charges	7,668	4,186	(305)	11,549
	<b>122,114</b>	<b>10,329</b>	<b>(5,607)</b>	<b>126,836</b>

Short-Term Provisions	Thousands of Euros				
	Balance at 30/09/11	Additions	Amounts Used/ Reversals	Transfers	Balance at 30/09/12
Employee benefit obligations	353	216	(244)	-	325
Provisions for restructuring costs (Note 4.11)	6,964	5,490	(10,059)	425	2,820
Other provisions for contingencies and charges	1,546	-	(36)	(425)	1,085
	<b>8,863</b>	<b>5,706</b>	<b>(10,339)</b>	<b>-</b>	<b>4,230</b>

### **11.2 Provision for tobacco excise duties and customs duty assessments**

The Company has recognised provisions for tax assessments resulting from the reviews conducted by the Spanish customs inspection authorities of the tobacco excise duty settlements for 2004 to 2010. The Company signed these assessments on a contested basis and filed an appeal against them. In the event that the outcome of these appeals is not favourable, the Company recognised provisions to cover payment of deficiency and late-payment interest amounting to EUR 104,882 thousand. The total amount of the provision includes the late-payment interest since the date these assessments were issued, for an amount of EUR 19,871 thousand, of which EUR 6,981 thousand were recognised in the respective accompanying income statement for 2013 (4,055 in 2012).

In addition, the Company was issued assessments by the Customs Inspection Authorities for adjustments in the figure for unpaid amounts relating to tariffs and VAT on imports for the years 2000 and 2002 and for the first half of 2003. The total amount of the deficiency, including interest but not penalties in these assessments is EUR 4,234 thousand. The Company has filed two separate appeals against portions of this amount at the Central Economic-Administrative Tribunal, National Court and Supreme Court and the Catalonia High Court, respectively. The amount was provisioned in full at 30 September 2013. Since the date these assessments were issued, the Company has recognised EUR 639 thousand in relation to the necessary late-payment interest, of which EUR 488 thousand were recognised in the accompanying income statement for 2013 and 2012.

In 2013 the Supreme Court dismissed several appeals lodged by the Company in relation to certain of the aforementioned customs duty assessments. Consequently, the Company paid the amount of these assessments, which totalled EUR 4,797 thousand including late-payment interest.

### **11.3 Provision for employee benefit obligations**

This account includes the present value of the Company's obligations in terms of long-service bonuses and the "free tobacco" benefit (see Note 4.12). In 2013 a provision of EUR 216 thousand has been recognized in this connection, which has been charged to the caption "Staff costs" of the accompanying income statement. In 2012 a provision of EUR 1,816 thousand was recognised in this connection, of which EUR 1,600 thousand were recognised with a charge to "Reserves" in the accompanying balance sheet since they relate to changes in the actuarial assumptions used to determine the present value of the total obligation assumed by the Company.

### **11.4 Provisions for restructuring costs**

In 2013 provisions of EUR 1,818 thousand were recognised for restructuring programmes that the Company's directors intend to carry out and were initiated in 2012.

Additionally, in 2013 the Company externalised the payment of survivorship annuity benefits for a group of employees who have taken early retirement. A premium of EUR 1,544 thousand was paid in this connection, and this amount was debited to the related provision.

Also, in 2013 the Company paid termination benefits of EUR 1,695 thousand from a provision recognised for this purpose.

At 30 September 2013, the provisions recognised for restructuring costs amounted to EUR 1,399 thousand and covered the restructuring programmes intended to carry out.

### **11.5 Other provisions for contingencies and charges**

At 30 September 2013 and 2012 the balance of this account includes the provisions to cover the risk of various ongoing lawsuits between the Company and third parties.

This accounting line also includes provisions of EUR 6,017 thousand for equity instruments held at companies with an equity deficit at 30 September 2013 and 30 September 2012 (see Note 8.2.1).

## **12. Tax matters**

### **12.1 Current tax receivables and payables**

The detail of the current tax receivables and payables is as follows:

#### **Tax receivables**

	Thousands of Euros	
	2013	2012
Income tax	485	485
Other tax receivables	318	256
<b>Total</b>	<b>803</b>	<b>741</b>

#### **Tax payables**

	Thousands of Euros	
	2013	2012
Income tax (Note 12.2)	12,782	13,456
Excise duties on tobacco products	627,714	597,522
VAT and Canary Islands general indirect tax	199,288	185,218
Personal income tax withholdings	1,247	1,144
Accrued social security taxes payable	4,070	4,909
Other tax payables	7,749	5,540
<b>Total</b>	<b>852,850</b>	<b>807,789</b>



## 12.2 Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit to the taxable profit for income tax purposes is as follows:

2013

	Thousands of Euros		
	Increase	Decrease	Amount
Accounting profit before tax			96,340
Permanent differences:			
Out-of-pocket expenses and other non-deductible expenses	76	-	76
Penalties and surcharges	13	-	13
Group dividend elimination (Note 15.2)	-	(48,335)	(48,335)
Financial fixed assets impairment	5,112	-	5,112
<b>Adjusted taxable profit</b>			<b>53,206</b>
Temporary differences:			
Provision for employee benefit obligations	645	-	645
Provision for non-deductible early retirement benefits	1,568	(1,878)	(310)
Joint venture losses (Note 8.3)	9,941	(10,632)	(691)
Goodwill depreciation	-	(5,640)	(5,640)
Fixed assets impairment (Note 6.1)	2,200	-	2,200
<b>Taxable profit</b>			<b>49,410</b>
Tax charge (30% of taxable profit)			14,823
Tax credits and tax relief			(1,866)
Withholdings and prepayments			(175)
<b>Tax payable</b>			<b>12,782</b>

2012

	Thousands of Euros		
	Increase	Decrease	Amount
Accounting profit before tax			91,248
Permanent differences:			
Out-of-pocket expenses and other non-deductible expenses	79	-	79
Penalties and surcharges	7	-	7
Group dividend elimination (Note 15.2)	-	(37,000)	(37,000)
Financial fixed assets impairment	6,000	-	6,000
<b>Adjusted taxable profit</b>			<b>60,334</b>
Temporary differences:			
Provision for employee benefit obligations	519	-	519
Provision for non-deductible early retirement benefits	54	(2,502)	(2,448)
Joint venture losses (Note 8.3)	12,625	(13,534)	(909)
Impairment loss recognised on investment securities	1,760	-	1,760
Goodwill depreciation	-	(5,640)	(5,640)
<b>Taxable profit</b>			<b>53,616</b>
Tax charge (30% of taxable profit)			16,085
Tax credits and tax relief			(2,484)
Withholdings and prepayments			(145)
<b>Tax payable</b>			<b>13,456</b>

The permanent differences in 2013 relate mainly to the elimination of dividends received from Logista Italia, S.p.A. in order to avoid double taxation and to the elimination of the provision for losses in company group which are included in the income tax consolidation group.

The decrease in timing differences was due to the use of provisions which had not been treated as tax-deductible in prior years, as well as the different timing of the recognition of the results of the unincorporated temporary joint ventures for tax and accounting purposes (see Note 8.3). Additionally, the Company has been reducing its taxable profit annually by a portion of the amount of the implicit goodwill in the acquisition price of its foreign subsidiaries; these reductions are treated as temporary differences.

The timing differences that increased the tax base were mainly due to the impairment loss recognised on fixed assets (see Note 6.1), and to the provision for employee benefit obligations (see Note 11).

### 12.3 Reconciliation of accounting profit to the income tax expense

The reconciliation of the accounting profit to the income tax expense is as follows:

	Thousands of Euros	
	2013	2012
Accounting profit for the year before tax	96,340	91,248
Permanent differences	(43,134)	(30,914)
<b>Adjusted taxable profit</b>	<b>53,206</b>	<b>60,334</b>
Tax charge (30% of taxable profit)	15,962	18,103
Other impacts	364	1,076
Tax credits and tax relief	(1,866)	(2,484)
Adjustments to prior year's income tax	(523)	(80)
<b>Income tax expense</b>	<b>13,937</b>	<b>16,612</b>

### 12.4 Breakdown of income tax expense

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2013	2012
Current tax	12,957	14,676
Deferred tax	1,139	2,016
Positive adjustments to the income tax	(159)	(80)
<b>Income tax expense</b>	<b>13,937</b>	<b>16,612</b>

### 12.5 Deferred tax assets

The detail of "Deferred Tax Assets" at 30 September 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Provisions for employees	2,632	2,532
Impairment loss on investment securities	11,257	11,257
Provisions for third-party liability	3,570	3,570
Joint venture losses	2,265	2,472
Fixed Assets Impairment (Note 6.1)	661	-
Other	662	662
<b>Total deferred tax assets</b>	<b>21,047</b>	<b>20,493</b>

### 12.6 Deferred tax liabilities

The detail of "Deferred Tax Liabilities" at 30 September 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Goodwill – Italy	60,160	58,468
<b>Total deferred tax liabilities</b>	<b>60,160</b>	<b>58,468</b>

Until 2011, each year the Company 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.

### 12.7 Tax credit carryforwards

At 30 September 2013 and 30 September 2012, the Company did not have any tax credit carryforwards.

### 12.8 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2013 year-end the Company had the last five years open for review for income tax, since 2012 for customs duties, since 2011 for excise duties, and the remaining four years for the other taxes applicable to it.

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.

## 13. Balances and transactions in currencies other than the euro

In 2013 and 2012 there were no significant transactions in different from Euro currency and the Company had no significant balances in currencies other than the euro at 30 September 2013 and 2012.

The Company is the sole shareholder of Compañía de Distribución Integral Logista Polska, Sp. z o.o. and has a 100% shareholding in Logesta Polska Sp. z o.o., whose official currency is the zloty. The net investment in these companies at 30 September 2013 and 2012 is as described in Note 8.2.1.

#### **14. Income and expenses**

##### **14.1 Revenue**

The breakdown, by business line and geographical market, of the Company's revenue for 2013 and 2012 is as follows:

Line of Business	Thousands of Euros	
	2013	2012
Tobacco	1,605,580	1,646,452
Stamps	152,785	172,827
Other logistics revenue	54,912	59,261
Rendering of services	30,264	30,138
<b>Total</b>	<b>1,843,541</b>	<b>1,908,678</b>

Tobacco is distributed and sold under distribution contracts entered into with the manufacturers. These contracts are not exclusive and allow early termination without incurring any indemnity payments, although they have historically been renewed upon maturity.

In 2013 sales performed in Portugal amounted to EUR 72,439 thousand (2012: EUR 69,758 thousand), from which the Company earned commissions of EUR 9,952 thousand (2012: EUR 8,896 thousand).

Revenue from the provision of transport logistics services outside Spain amounted to EUR 12,205 thousand and EUR 10,955 thousand in 2013 and 2012, respectively.

The remaining revenue relates to transactions in the Spanish market.

##### **14.2 Procurements**

The detail of "Procurements" in 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
<b>Cost of goods held for resale used:</b>		
Purchases	1,566,164	1,649,177
Changes in inventories	(2,238)	(12,734)
<b>Impairment of goods held for sale:</b>		
Impairment of goods held for sale (Note 9)	1,594	6,167
<b>Total</b>	<b>1,565,520</b>	<b>1,642,610</b>

The detail, by origin, of the purchases made by the Company in 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Spain	1,197,656	1,265,860
EU countries	70,952	76,523
Imports	297,556	306,794
<b>Total</b>	<b>1,566,164</b>	<b>1,649,177</b>

### 14.3 Staff costs

The detail of the balance of "Staff Costs" in 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Wages, salaries and similar expenses	50,047	47,923
Severance	2,558	5,786
Other social expenses -Pension plans contributions (Note 4.12)	2,591	2,653
Employee benefit costs	15,178	13,816
<b>Total</b>	<b>70,374</b>	<b>70,178</b>

The average number of employees in 2013 and 2012, by category, was as follows:

Category	Average Number of Employees	
	2013	2012
Executives	14	19
Line personnel and clerical staff	520	505
Messengers and other	549	561
<b>Total</b>	<b>1,083</b>	<b>1,085</b>

The Company's headcount at 30 September 2013 and 2012, by category and gender, was as follows:

#### 2013

	Number of Employees			
	Permanent		Casual	
	Men	Women	Men	Women
Executives	15	1	-	-
Line personnel and clerical staff	285	190	20	28
Messengers and other	328	151	37	10
<b>Total</b>	<b>628</b>	<b>342</b>	<b>57</b>	<b>38</b>
<b>TOTAL</b>	<b>970</b>		<b>95</b>	

#### 2012

	Number of Employees			
	Permanent		Casual	
	Men	Women	Men	Women
Executives	18	1	-	-
Line personnel and clerical staff	275	187	16	28
Messengers and other	336	153	49	25
<b>Total</b>	<b>629</b>	<b>341</b>	<b>65</b>	<b>53</b>
<b>TOTAL</b>	<b>970</b>		<b>118</b>	

## Senior management

The remuneration earned in 2013 and 2012 by the members of the Company's Management Committee amounted to EUR 4,846 thousand and EUR 3,581 thousand, respectively, and included the remuneration received by certain executives who are also members of the Company's Board of Directors. The aforementioned amounts include amounts paid to the Management Committee in 2013 and 2012 in relation to the incentives plan described in Note 4.12.

The contributions made by the Company to pension plans for the members of the Company's Management Committee, amounted to EUR 465 thousand and EUR 41 thousand in 2013 and 2012, respectively.

## 14.4 Outside services

The detail of the balance of "Outside Services" in 2013 and 2012 is as follows:

	Thousands of Euros	
	2013	2012
Transport	45.807	46,352
Sundry services	18.716	17,024
Independent professional services	25.834	28,136
Rent and royalties (Note 7.1)	8.853	9,842
Utilities	6.607	7,607
Repairs and upkeep	4.976	4,592
Insurance premiums	3.059	1,608
Other expenses	5.290	3,868
<b>Total</b>	<b>119,142</b>	<b>119,029</b>

"Sundry Services" includes mainly technical service, cleaning, surveillance and communications services.

In 2013 and 2012 the fees for financial audit and other services provided by the Company's auditor, or by a company related to the auditor as a result of a relationship of control, common ownership or common management, were as follows:

Description	Thousands of Euro	
	2013	2012
Audit services	253	231
Other attest services	4	5
<b>Total audit and related services</b>	<b>257</b>	<b>236</b>
Tax advisory services	-	-
Other services	134	142
<b>Total professional services</b>	<b>391</b>	<b>378</b>

# **15. Related party transactions and balances**

## **15.1 Related party balances**

At 30 September 2013 and 2012, the balances with Group companies, associates and related companies were as follows:

**2013**

	Thousands of Euros				
	Commercial Accounts Receivable	Current Financial Accounts Receivable	Non-Current Financial Accounts Receivable	Commercial Accounts Payable	Financial Accounts Payable
<b>Parents:</b>					
Imperial Tobacco Overseas Holding	-	-	-	2,775	-
Imperial Tobacco Enterprise Finance Limited	-	-	-	-	87,144
Imperial Tobacco Spain	56	6,291	-	142	-
Altadis, S.A.U.	2,840	253,244	-	46,861	886
<b>Other Group companies and associates:</b>					
Dronas 2002, S.L.U.	1,419	16,257	19,347	3,450	212
Logista-Dis, S.A.U.	956	2,326	-	2,760	368
Logesta Gestión de Transporte, S.A.U.	46	1,502	-	2,445	-
T-2 Opellog, S.A.U.	287	255	-	15	155
Midsid - Sociedade Portuguesa de Distribuição, S.A.	83	20,946	-	-	-
Logista Italia, S.p.A.	389	-	-	1	1,019,365
Distribuidora del Noroeste, S.L.	1	1,515	-	-	-
La Mancha 2000, S.A.U.	-	129	-	32	1,115
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	451	11,486	-	-	5,377
Logista Libros, SL.	501	3,435	-	5	-
Compañía de Distribución Integral Logista Polska, Sp. z o.o.	-	852	-	-	-
T-2 Gran Canaria Transporte, S.A.U.	-	952	-	339	-
Other	7,340	7,484	-	14,585	5,138
<b>Total</b>	<b>14,369</b>	<b>326,674</b>	<b>19,347</b>	<b>73,410</b>	<b>1,119,760</b>



	Thousands of Euros				
	Commercial Accounts Receivable	Current Financial Accounts Receivable	Non-Current Financial Accounts Receivable	Commercial Accounts Payable	Financial Accounts Payable
<b>Parents:</b>					
Imperial Tobacco Overseas Holding	1,143	-	-	13,245	-
Imperial Tobacco Enterprise Finance Limited	-	-	-	-	10,098
Altadis, S.A.U.	2,876	1,096,084	-	41,411	3,765
<b>Other Group companies and associates:</b>					
Altadis Distribution France, S.A.S.	183	-	-	-	-
Dronas 2002, S.L.U.	1,718	12,487	24,700	4,032	308
Logista-Dis, S.A.U.	1,111	2,062	-	9,848	-
Logesta Gestión de Transporte, S.A.U.	116	473	-	5,853	956
T-2 Opellog, S.A.U.	168	255	-	13	-
Midsid - Sociedade Portuguesa de Distribuição, S.A.	81	20,946	-	-	-
Logista Italia, S.p.A.	180	-	-	-	1,014,757
Distribuidora del Noroeste, S.L.	2	1,515	-	-	-
La Mancha 2000, S.A.U.	-	73	-	33	-
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	535	3,983	-	-	3,378
Logista Libros, SL.	95	4,572	-	5	-
Logista Transportes, Transitários e Pharma, Lda.	1	-	-	-	-
Compañía de Distribución Integral Logista Polska, Sp. z o.o.	-	4,455	-	-	-
T-2 Gran Canaria Transporte, S.A.U.	6	447	-	315	-
Other	11,100	11,349	-	15,291	7,986
<b>Total</b>	<b>19,315</b>	<b>1,158,701</b>	<b>24,700</b>	<b>90,046</b>	<b>1,041,248</b>

The accounts receivable relate mainly to services provided and commercial sales.

The commercial accounts payable relate mainly to tobacco purchased by Logista, S.A.U. from Altadis, S.A.U. and Imperial Tobacco Overseas Holding for subsequent distribution.

On 1 October 2008, the loan from Logista Italia, S.p.A. was renewed until 30 December 2009, being renewable since that date for additional 12-month periods. The applicable interest rate is that established by the European Central Bank plus a spread of 0.75%. The amounts payable at 30 September 2013 and 2012 were EUR 1,019,365 thousand and EUR 1,014,757 thousand, respectively. The interest on this loan charged to the accompanying income statement in 2013 and 2012 amounted to EUR 13,366 thousand and EUR 18,280 thousand, respectively.

The Company holds a current account with Imperial Tobacco Enterprise Finance Limited, on which interest is paid by the latter at the European Central Bank interest rate, plus a 0.75% spread, both for debtor and creditor balances, pursuant to the agreement entered into by the two parties, which is automatically renewable every 30 September. The interest is payable on a quarterly basis. At 30 September 2013, the account payable on this current account is approximately EUR 87,144 thousand (2012: EUR 10,098 thousand), which are recognised under "Payables to Group Companies and Associates" in the accompanying balance sheet.

On 1 October 2009, Logista, S.A.U. arranged a loan with Altadis, S.A.U., which bears interest tied to the European Central Bank official rate plus a spread of 0.75%. Since that date, this agreement has been renewed on an annual basis. The amounts receivable at 30 September 2013 and 2012 were EUR 253,244 thousand and EUR 1,096,084 thousand respectively.

In addition, the Company keeps current accounts with other Group companies, as detailed in the table above.

The interests income charged to the accompanying Income Statement in 2013 and 2012 for the above mentioned credits amounts to EUR 10,910 y 31,285 thousand, respectively. The interest expenses charged for the loans in 2013 and 2012 amounts to EUR 17,282 and 21,817 thousand, respectively.

In addition, the heading "Current financial accounts receivables" also includes a loan of EUR 12,663 thousand (2012: EUR 12,640 thousand) granted to Logista Promotion et Transport, S.A.S. (former Logista France, S.A.S.) which is written down in full in view of the directors' doubts with respect to its recoverability.

The rest of the intercompany credits are referenced to Euribor plus a margin and are due annually and renewed automatically for an additional period of a year.

### 15.2 Transactions with related parties

The detail of the transactions (purchases and sales of merchandise, provision of services, etc.) carried out by the Company with Group companies and associates, with its sole shareholder and with related parties in 2013 and 2012 is as follows:

#### 2013

	Thousands of Euros				
	Sales	Procurements	Other Operating Expenses	Finance Income	Finance Costs
Transactions with the sole shareholder:					
Altadis, S.A.U.	5,017	(491,364)	-	3,160	-
Altadis Group companies	6,996	(32,995)	-	-	-
Imperial Tobacco Overseas Holding	147	-	-	-	(734)
Imperial Tobacco Group companies	-	(13,372)	-	-	-
With Group companies and associates	58,606	-	(27,352)	7,750	(16,548)
	<b>70,766</b>	<b>(537,731)</b>	<b>(27,352)</b>	<b>10,910</b>	<b>(17,282)</b>

#### 2012

	Thousands of Euros				
	Sales	Procurements	Other Operating Expenses	Finance Income	Finance Costs
Transactions with the sole shareholder:					
Altadis, S.A.U.	7,311	(464,885)	(372)	19,516	-
Altadis Group companies	7,540	-	-	-	-
Imperial Tobacco Overseas Holding	67	(18,401)	-	-	-
Imperial Tobacco Group companies	4,921	(40,080)	-	1,566	-
With Group companies and associates	50,816	(18)	(49,301)	10,203	(21,817)
	<b>70,655</b>	<b>(523,384)</b>	<b>(49,673)</b>	<b>31,285</b>	<b>(21,817)</b>

The sales to Altadis, S.A.U. relate mainly to the following services:

1. Distribution, storage and delivery of tobacco throughout the network of tobacco and stamp agencies.
2. Shipment of leaf tobacco from ports and depots to factories, of cigarettes and cigars from factories to warehouses and export of the aforementioned products.

The contracts for providing these services mature within three to five years and all of them are renewable.

The purchases from Altadis, S.A.U. relate to products acquired for subsequent distribution in Spain, excluding tax-free markets.

"Other Operating Expenses" includes services provided by various Logista Group companies to the company.

"Finance Income" relates mainly to dividends received from investees and interest earned on short-term loans granted to these companies (see Note 15.1).

The dividends received by the Company in 2013 and 2012 from its equity interests in Group companies were as follows (see Note 8.2.1):

	Thousands of Euros	
	2013	2012
Logista Italia, S.p.A.	48,335	37,000
Logista Dis, S.A.U.	2,235	2,500
Logesta Gestión de Transporte, S.A.U.	2,230	1,000
Dronas 2002, S.L.U.	-	2,000
La Mancha 2000, S.A.U.	141	-
<b>Total</b>	<b>52,941</b>	<b>42,500</b>

### **15.3 Remuneration of directors**

The remuneration received in 2013 by the members of the Company's Board of Directors for discharging their functions as directors in all respects, amounted to EUR 263 thousand (2012: EUR 211 thousand).

In 2013 and 2012 the Company did not carry out any transactions with its directors not relating to its ordinary business operations or transactions not carried out on an arm's length basis.

No obligations to the members of the Board of Directors have been acquired relating to life insurance, pension plans or similar items for the discharge of their duties.

All the directors are male, except for one female.

#### 15.4 Detail of investments in companies with similar activities and of the performance, as independent professionals or as employees, of similar activities by the directors

Pursuant to Article 229 of the Spanish Capital Companies Law, in order to reinforce the transparency of companies, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Compañía de Distribución Integral Logista, S.A.U. in which the members of the Board of Directors own or owned equity interests in 2013, and of the functions, if any, that they discharge thereat:

Owner	Investor	Line of Business	Ownership Interest	Functions
Ms. Alison Cooper	Imperial Tobacco Group	Tobacco manufacture	162,111 shares	C.E.O.
Mr. Luis Egido Gálvez	Imperial Tobacco Group	Tobacco manufacture	56,427 shares	CEO Logistics Business
Mr. Kenneth Hill	Imperial Tobacco Group	Tobacco manufacture	Less than 0.01%	Special projects manager
Mr. Conrad Tate	Imperial Tobacco Group	Tobacco manufacture	Less than 0.01%	Corporate Development manager

Also, in accordance with the aforementioned Law, following is a detail of the activities carried out by the Company's directors in 2013 that are identical, similar or complementary to the activity that constitutes the company object of Compañía de Distribución Integral Logista, S.A.U.:

Name	Activity Performed	Type of Arrangement under which the Activity is Performed	Company through which the Activity is Performed	Position held or Function Discharged at the Company Concerned
Mr. Gregorio Marañón y Bertrán de Lis	Tobacco manufacture	Employee	Altadis, S.A.U.	Director
Mr. Luis Egido Gálvez	Distribution	Employee	Logista Italia, S.p.A.	Director
	Distribution	Employee	Logista Portugal (Branch)	Legal Representative
	Distribution	Employee	T2 Opellog, S.A.	Director
	Transport	Employee	Dronas 2002, S.L.	Director
Mr. Kenneth Hill	Tobacco manufacture	Employee	Commonwealth Brands	Director
	Vending machines manufacture	Employee	Sinclair Collins	Director
Mr. David Resnekov	Tobacco manufacture	Employee	Imperial Tobacco Ltd.	Group's Financial Controller
Mr. Conrad Tate	Tobacco manufacture and sale	Employee	Reemtsma Cigaretten Fabriken GmbH	Member of the Supervising Committee
Mr. Rafael de Juan López	Transport	Employee	Dronas 2002, S.L.	Director
	Distribution	Employee	T2 Opellog, S.A.	Director
	Distribution	Employee	Logista Italia, S.p.A.	Director
	Distribution	Employee	Logista Publicaciones, S.L.	Chairman
Mr. Eduardo Zaplana Hernández-Soro	Telecommunications	Employee	Telefónica, S.A.	President's counsellor

#### 15.5 Financial structure

As indicated in Note 1, the Company is the head of the Logista Group, the financial structure of which is as described in Appendix 1.

#### **16. Guarantee commitments to third parties and other contingent liabilities**

The Company uses guarantees provided by various banks, the detail being as follows:

	Thousands of Euros
Tax authorities	243,026
Guarantee provided in business dealings	12,053
Lawsuits and penalties	76
	<b>255,155</b>

The Company's Directors do not expect any additional liabilities not considered in the financial statements to arise.

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

The detail of the disclosures required under Additional Provision Three of Law 15/2010, of 5 July, is as follows:

	Amounts Paid and Payable at Year-End			
	2013		2012	
	Amount	%	Amount	%
Paid within the maximum payment period	2,475,119	99,48%	2,557,393	99,21%
Remainder	12,856	0,52%	20,280	0,79%
<b>Total payments made in the year</b>	<b>2,487,975</b>	<b>100%</b>	<b>2,577,674</b>	<b>100%</b>
Payables at year-end past due by more than the maximum payment period	1,071		1,422	

The figures shown in the foregoing table relate to suppliers of goods and services and, therefore, they include the figures relating to "Payable to Suppliers" and "Sundry Accounts Payable" under current liabilities in the balance sheet.

The weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers past due by more than the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period. The weighted average period of late payment has been 5 days in 2013 and 2012.

The maximum payment period applicable to the Company in 2013 under Law 3/2004, of 29 December, on combating late payment in commercial transactions, was 60 days.

#### **18. Information on the environment**

In matters concerning the environment, the Company complies strictly with all the requirements of applicable legislation and also looks for the best ways of reducing its environmental impact (waste reduction awareness campaigns and improvement of waste management; policies aimed at reducing atmospheric emissions and the use of water, electricity and paper; reduction of the use of containers and packaging by improving manufacturing processes, etc.).

In 2013 and 2012 the expenses incurred and the investments made to protect and improve the environment were not material.

**19. Explanation added for translation to English**

These financial statements are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.

## Appendix I

### Subsidiaries composing the Logista Group

Company	Audit firm	Registered Office
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte	C/ Electricidad, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribérica, S.A. U.	Not audited	C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid)
Publicaciones y Libros, S.A.	Deloitte	C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribuidora del Noroeste, S.L.	BDO	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.U.	Not audited	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L.	BDO	Polígono Industrial Zal, Carretera de la Esclusa s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A.	Not audited	C/ Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A.	Not audited	Polígono P.O.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A.	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U.	Not audited	C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribuidora del Este, S.A.U.	BDO	Calle Saturno, 11. Alicante
S.A. Distribuidora de Ediciones	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
La Mancha 2000, S.A.U.	Not audited	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara
Midsid - Sociedade Portuguesa de Distribuição, S.A.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A. U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Libros, S.L.	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara
Librodis Promotora y Comercializadora del Libro, S.A.	Not audited	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara
Avanzalibros, S.L.	Not audited	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara
Logesta Gestión de Transporte, S.A. U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.	Deloitte	Via in Arcione 98. Roma
Transportes Basegar, S.A.	Deloitte	C/ Chavarri, S/N, Edificio Reimasa. Sestao (Vizcaya)
Logesta Noroeste, S.A.U.	Not audited	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Lusa Lda	Not audited	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z o.o.	Not audited	Flory nr 9, lok 6. kod-00-586 Warszawa--(Polonia)
Logesta Deutschland GmbH	Not audited	Pilotstr 4. 80538- München-(Alemania)
Logesta France, S.A.R.L.	Not audited	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)
Dronas 2002, S.L.U.	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal. C/ Enterríos, 3. Las Palmas de Gran Canaria
T2 Opellog, S.A.U.	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Logilenia Distribuidora Farmacéutica, S.L.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A.	Deloitte	Via in Arciones, 98. Roma (Italia)
Terzia, S.p.A.	Deloitte	Via in Arciones, 98. Roma (Italia)
Logista Transportes, Transitarios e Pharma, Lda.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp z o.o.	Deloitte	Al. Jerozolimskie 133. Warszawa. Polonia
Logista Promotion et Transport S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Logista France, S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Supergroup S.A.S.	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade 77400 Saint-Thibault-des-Vignes
Société Allumetière Française, S.A.S.	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade 77400 Saint-Thibault-des-Vignes
Strator, S.A.S.	Deloitte	Parc d'activité de la Brèche, 9 rue Olof Palme, Bâtiment Euclide, 94000 Créteil

## Logista Group Associates

Company	Audit Firm	Registered office
Dima Distribución Integral, S.L.	Deloitte Patricio Moreira, Valente & Asociados SROC	Polígono Industrial Los Olivos. C/ Confianza, 1. Getafe. Madrid
Logesta Maroc, S.A	Not audited	87 Rue Ahmed El .Casablanca (Marruecos)



# Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company)

Directors' Report  
For year ended  
30 September 2013

## 1. LOGISTA's performance and position in 2013

In 2013, the Company reported revenue of EUR 1,844 million and profit from operations of EUR 66.4 million.

The Company's financial results fell to EUR 30 million, with net profit reaching EUR 82.4 million.

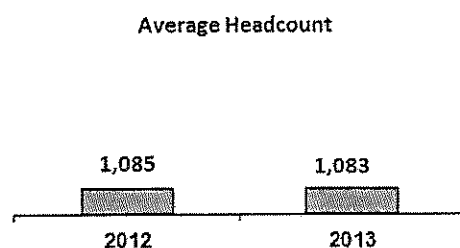
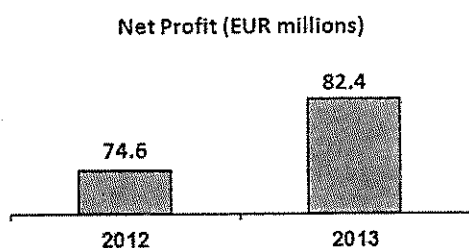
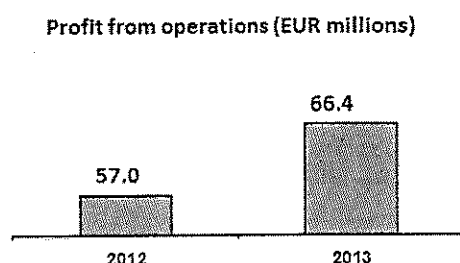
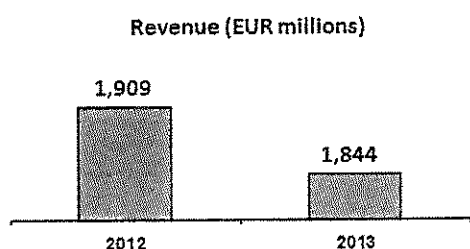
The Company has showed again the strength of its business model in a difficult economic environment.

In order to mitigate the impact of the weakness consumer spending in the Company's revenue, the Company has adopted several measures seeking the enhancement of the productivity in its operations, and has also increased its marketing efforts.

The tobacco distribution business in Spain continued to be affected by the falling market volumes in the cigarette segment which, for the fourth consecutive year, experienced double-digit decreases (-12% in the period from 1 October 2012 to 30 September 2013), representing a more than 40% reduction in this market over the last four years. The impact of these falling figures has been offset by increases in prices and rates and ongoing cost control.

Against this backdrop, the Parent's management of rates and, in particular, costs, combined with the development of other business lines, has made it possible to maintain profitability levels despite the difficult circumstances currently affecting the Spanish tobacco industry.

The main indicators for 2013 (October 2012 – September 2013) as compared with the indicators reported in 2012 (October 2011 – September 2012) are as follows:



## Risk exposure

The main risks and uncertainties facing the Company originate from possible regulatory changes in the industries in which it operates, the normal operating risks in the course of normal business activities, which are externally insured, and counterparty risk (customers' doubtful debts), which are of scant materiality.

The Company could be equally affected by the risks arising from the adverse global economic climate and its potential impact on consumption in the markets and industries where the Company is present.

The Company complies with all requirements and has all licences, permits, etc., required to operate in the various markets and industries in which it carries on its business activity, 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 at the same time comply with the obligations imposed by the applicable legislation.

The Company's main financial assets are cash and cash equivalents, inventories, trade and other receivables and investments, which represent the maximum exposure of the Company to credit risk in relation to financial assets.

The Company currently has the following units and committees which ensure the efficiency of the established risk controls:

- Security Committee: its function is the prevention of and protection against antisocial risks and threats to assets and employees of Logista or any of its companies.
- Environment and Quality Committee: it establishes the action policy regarding the action to be taken by the various business units of the Company in all matters relating to its commitment to the environment and quality, and promotes the implementation of and compliance with the principles of conduct by issuing internal corporate regulations.
- Internal Control and Judicial Risk Prevention Committee: Reporting to the Directors Board's Audit and Control Committee, its objectives are i) ensure the continuous development and execution of the Internal Control System of the Group, in all the countries and businesses, and ii) safeguard the effective prevention of criminal risks in the Logista Group's companies in Spain.
- Administrative Department - Insurance: the Administrative Department is responsible for analysing the accident risks which may affect both the Company's assets and the performance of its business activities and, based on these risks, it arranges the external insurance coverage it deems necessary. On the other hand, it is charged with the Company assets protection and ensuring the reliability of the financial information.
- Cash Department - Financial and Credit Risk: its functions are to limit and control the financial risks arising from business dealings with third parties, to establish the related credit limits, where necessary, and to set a policy concerning allowances for doubtful debts.
- Internal Audit Department: the Company's Internal Audit Department is responsible for providing support to the Directors Board's Audit and Control Committee and the Group's Internal Control Committee in complying with its duties and responsibilities, furnishing it with objective analyses, assessments and recommendations in accordance with the established work plan. Specifically, the main activities to be performed are as follows:
  - Participate in monitoring the work of external auditors, including the related planning, quality, independence and general business terms.
  - Assist in the review of the Company's financial information, particularly in unaudited periods.

- Guarantee appropriate system for the evaluation of the internal control and information systems, identifying the possible improvements therein and promoting their implementation.
- Identify risks and assess the associated controls, mainly through the performance of an annual audit plan.
- Provide technical support to Company management on financial and accounting matters when required.

The Company's credit risk is attributable mainly to trade receivables. The amounts presented in the balance sheet are net of the allowances for doubtful debts estimated by Company management based on prior experience and its assessment of the current economic environment. The Company's credit risk is not particularly high since the customer portfolio is highly fragmented and distributed among a large number of counterparties since the Group's main customers are kiosk owners and tobacconists.

The management of the risks to which the Company is exposed in the performance of its business activities constitutes one of the basic pillars of its activities aimed at preserving the value of the Company's assets and, therefore, the value of the shareholders' investments. The risk management system is structured and defined through the Company's global risk management approach to achieve the strategic and operating objectives. The risk control system is controlled and supervised by the Audit and Control Committee of the Board of Directors, which delegates these functions to the internal audit function.

The main objectives of the Company's Financial Department is to preserve the value of the Company's assets in all the business units and all the countries in which it operates by analysing and preventing risk, and optimising management of the main losses.

Historically, the rates of default in all geographical areas in which the Company operates remain at very low levels.

In relation to liquidity risk, the Group holds sufficient cash and cash equivalents to meet the payment obligations arising from its ordinary operations. Also, if it needs ad-hoc financing, the Group has credit lines available to it.

As regards the exposure to interest rate risk, in view of the low level of the Company's financial debt, Company management considers that the impact of a potential increase in interest rates on the accompanying financial statements would not be material.

Also, the level of exposure of equity and the income statement to the effects of future changes in prevailing exchange rates is not significant since the volume of the Company's transactions in currencies other than the euro is not material.

## **Environment**

In matters concerning the environment, the Company. complies strictly with all the requirements of applicable legislation and also looks for the best ways of reducing its environmental impact (waste reduction awareness campaigns and improvement of waste management; policies aimed at reducing atmospheric emissions and the use of water, electricity and paper; reduction of the use of containers and packaging by improving manufacturing processes, etc.).

In 2013 the Group made several efforts in this connection, which was reflected in the score assigned to it by the Carbon Disclosure Project (an international benchmark Sustainable Environmental Management project). The Group's score of 87/100 for Disclosure and B for Performance confirms its progress in ongoing improvement, and its environmental management ranks well above the European average, at levels granted solely to leading companies at international level.

## **2. Important events for the Company after the reporting period**

No significant events have occurred after the reporting period.

## **3. Company outlook**

In 2013/14 no significant changes are expected to take place in the environment in which the Group operates. Accordingly, the main lines of action for the coming year will continue to focus on maintaining the efficiency of tobacco-related activities and on developing other business lines that will enable cost synergies and revenue growth to be achieved.

## **4. Research and development**

In 2013 the Company invested EUR 5.1 million in research and development. These investments were made mainly to adapt new businesses, automate processes and develop proprietary computer software.

## **5. Treasury shares**

At 30 September 2013 the Company did not hold any treasury shares.

## **6. Use of financial instruments**

The Company does not operate with any financial instruments that might affect the correct measurement of the assets or liabilities recognised in the consolidated balance sheet.

## Certificate on the issuance of the financial statements

Certificate issued to attest that the undersigned members of the Board of Directors of Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company) are apprised of the contents of these financial statements and directors' report which were authorised for issue at the Board of Directors' meeting on 27 November 2013 and are set forth on 49 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:

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Mr. Gregorio Marañón y Bertrán de Lis  
Chairman

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Mr. Luis Egido Gálvez  
Chief Executive

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Mr. Stéphane Lissner  
Director

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Mr. Miguel Ángel Barroso Ayats  
Director

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Mr. Eduardo Zaplana  
Director

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Ms. Alison Jane Cooper  
Director

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Mr. Kenneth Hill  
Director

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Mr. David Ian Resnekov  
Director

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Mr. Conrad Richardson Tate  
Director

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Mr. Rafael de Juan López  
Director and Secretary of the Board

Madrid, 27 November 2013