Logista

2016 ANNUAL REPORT

ANNUAL REPORT 2016

Annual Report 2016

Annual Report on Corporate Governance 2016

Annual Report on Remuneration of Directors 2016

Annual Report
on Corporate Social Responsibility 2016

ISSUER IDENTIFICATION DETAILS:

FISCAL YEAR-END DATE: 30/09/2016

C.I.F.: A87008579

COMPANY NAME: Compañía de Distribución Integral Logista Holdings, S.A.

REGISTERED OFFICE: Calle Trigo 39 – Polígono Industrial Polvoranca – 28914 Leganés (Madrid)

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LETTER FROM THE CHAIRMAN

MR. GREGORIO MARAÑÓN Y BERTRÁN DE LIS

Dear Shareholders.

I have the honour of presenting you Logista's Annual Report for fiscal year 2016, with detailed information reflecting the company's performance at strategic, capital and corporate levels.

During the fiscal year 2016, Logista continued developing its strategy focused on facilitating manufacturers' products and services the best and fastest access to a network of around 300,000 points of sale in Southern Europe, increasing operating efficiency, financial strength as well as creating value and remunerating the shareholder.

Revenues increased by 1.7% over the previous fiscal year to 9,632 million euros, Economic Sales grew by 2.8% to 1,038 million euros, while Adjusted Operating Profit (Adjusted EBIT) rose by 5.3% reaching 235 million euros and improving the Group's margin from 22.1% to 22.6%.

The Net Profit increased by 21% to 132.1 million euros. The strong cash generation, as well as this profitable growth, allows us to continue our policy of distributing as dividend at least 90% of the Net Profit obtained during the fiscal year.

Accordingly, we have proposed to the General Meeting of Shareholders the payment of a 0.65 euros per share dividend which, together with the 0.25 euros per share interim dividend distributed last August, raises the fiscal year's total dividend to 0.90 euros per share.

Investors continued recognising during the fiscal year both the advantages associated to Logista's business model and its efficient execution and results. Thus, the share price rose by 17.8% during the fiscal year 2016 and accumulates a 52.8% increase since the Public Offering in July 2014.

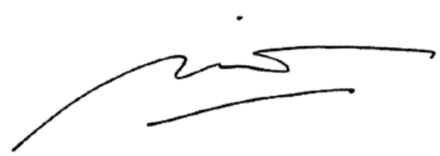
During the fiscal year Logista has formulated its Corporate Social Responsibility Policy (CSR Policy), including the company's main commitments to the different stakeholders in the corporate governance, economic, operational, environmental and social areas. This decision is part of the vocation to apply the highest quality standards in our operations and relations with employees, shareholders, clients, channels, suppliers, the environment and the society in general.

The CSR Annual Report provides detailed information on the formulation, definition, management and execution of the Group's CSR during the fiscal year. Together with this report, Logista prepares the Annual Report on Corporate Governance and the Annual Report on Remuneration of Directors. These reports are available on the Group's website, www.grupologista.com, both in Spanish and English, as well as the annual reports of previous fiscal years for a complete and comprehensive view of the Company's management.

The fiscal year 2016 was another good year for Logista, in which the Company continued optimising its business model, strengthening its equity balance and assuming the best corporate practices in its strategy and business management.

I would like to thank the management team and, in general, all of Logista's professionals for their dedication and constant effort for the success in the effective execution of this strategy, as well as to suppliers and clients for their continuous confidence in Logista.

Dear shareholders, I also thank you for your confidence in Logista, which will continue focusing on the creation of long-term sustainable value and remunerating the shareholder, strengthening Logista's strategic position as the leading distributor of products and services to proximity retailers in Southern Europe.



LETTER FROM THE CHIEF EXECUTIVE OFFICER

MR. LUIS EGIDO GÁLVEZ

Dear Shareholders.

Logista has successfully continued developing during the fiscal year 2016 its strategy, aimed at consolidating and expanding the company's leadership in the distribution of products and services to proximity retailers in Southern Europe.

Increasingly more manufacturers entrust Logista with the distribution of their products, and points of sale are increasingly supplied with the products and services we distribute.

Logista, thus, continues recurrently distributing tobacco and convenience products, electronic top-ups, pharmaceuticals, books, publications and lotteries, among others, to some 300,000 points of sale in Spain, Portugal, France and Italy, accessed every day by some 45 million consumers.

Revenues increased by 1.7% during fiscal year 2016 when comparing with the previous fiscal year, with improvements in all countries in a fiscal year in which distributed cigarettes grew by 0.3% with stable prices, except for the prices increase during the third quarter in Italy, and despite the weakness of consumption in France.

Economic Sales grew by 2.8% to €1,038m, mainly due to the good performance by the distribution of tobacco and convenience products to tobacconists in Iberia and Italy, as well as the Transport area and Logista Pharma.

Efficiency in the development of operations and the strict cost control increased the adjusted operating income by 5.3%, improving the operating margin by 50 basis points over the previous fiscal year.

The Net Profit rose by 21% during the fiscal year, reaching €132.1m, representing 1 euro per share compared to the 0.82 euros per share obtained by the Group during fiscal year 2015.

In Spain and Portugal, Economic Sales grew by 3.5%, with improvements in the three business lines and, in particular, in sales of convenience products and specialised services for the pharmaceutical sector.

In France, the improvement in consumption at the beginning of the year was reversed in the second half due, among other reasons, to a reduction in consumption away from home and the lower influx of tourists.

The 1.3% increase in distributed cigarettes and higher margins in convenience products and electronic transactions mitigated the impact of this context, reducing the decline in Economic Sales to 0.8%.

In Italy, Economic Sales grew by 6.4%, with stability in the volumes of tobacco products distributed, a prices increase in the third quarter of the fiscal year, the provision of other added value services and the ongoing improvement in sales of convenience products.

The Group maintained its permanent focus on improving operating efficiency and cost control, which rose well below the growth of Economic Sales, so contributing to further improving one more fiscal year the operating margin and the overall profitability of the activity.

Logista keeps investing in its competitive and differentiating advantages. Over 40% of investments are made into information technologies and systems that, together with the vertical business model, provide its characteristic quality in services, efficiency in management and cutting-edge innovation in its services to manufacturers and points of sale.

Logista has a network of around 47,000 Point of Sale Terminals that is integrated into its operational processes for making and tracking orders, billing, stock management, access to promotions, etc., helping points of sale optimising the management of their businesses and improving their profitability.

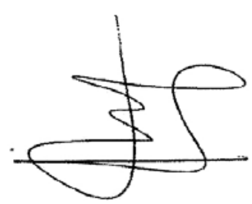
In addition, the use of powerful Business Intelligence tools based on Big Data analysis provides manufacturers with a deep knowledge of the consumer to take advantage of new distribution opportunities.

Thus, Logista integrates all the information throughout the supply chain from the manufacturer to the point of sale and even to the end consumer, adds value to the manufacturers' initiatives, provides additional profitability to the points of sale, detects and takes advantage of commercial opportunities and, in short, aligns the entire value chain including the end consumer.

Logista makes simple, efficient and profitable the complex management of marketing and supplying products and services to thousands of proximity points of sale that are present in the end consumer's everyday life.

The Group's strategy is also supported by a large and skilled team of professionals who, with their dedication and customer orientation, decisively contribute every day to the achievement of Logista's objectives and whom I wish to express my gratitude.

All these are the factors that continue consolidating and reinforcing Logista's position as the leading distributor of products and services to proximity retailers in Southern Europe.



LOGISTA

LOGISTA IS THE LEADING DISTRIBUTOR OF PRODUCTS AND SERVICES TO PROXIMITY RETAILERS IN SOUTHERN EUROPE

Logista distributes to some 300,000 points of sale in Spain, France, Italy and Portugal, accessed every day by nearly 45 million consumers, providing them with all manner of tobacco and convenience products, electronic top-ups, pharmaceuticals, books, publications and lotteries, among others.

Also, Logista distributes tobacco products to wholesalers in Poland.

UNIQUE BUSINESS MODEL

Logista combines distribution and comprehensive logistics services with exclusive added value services, thanks to its network of some 47,000 Point-of-Sale Terminals installed in points of sale and its Business Intelligence tools for greater insight into the end consumer.

Its vertical and integrated model of distribution, transport and information systems infrastructures combines logistics efficiency, full control and traceability in specialised distribution. It also ensures a local and nearby presence to the point of sale through hundreds of local stores across the countries where it operates.

Thus, Logista provides an unbeatable platform for commercialising products and services adapted to points of sales and their end consumers.

THE BEST PARTNER FOR MANUFACTURERS AND POINTS OF SALE

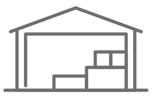
Logista becomes the best partner for manufacturers and points of sale boasting a specialised, highly added value, intelligent and unique distribution service to facilitate the best and fastest marketing of products and services through a capillary network of points of sale close to the end consumer in Southern Europe.

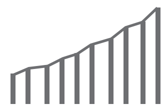
LOGISTA DISTRIBUTES TO SOME 300,000 POINTS OF SALE IN SPAIN, FRANCE, ITALY AND PORTUGAL.

LOGISTA IN 2016

Logista registered during the fiscal year a solid growth of sales and profitability, with a positive performance of the recurrent activities in all the countries where the Group is present.

The Group so continued strengthening its leader position as distributor of products and services to proximity retailers in Southern Europe.





~47,000
Point-of-Sale Terminals

~300,000
Points of Sale

~45,000,000
daily consumers in our channels

Over
67,000,000
top-ups in Spain and France

Over
1,000,000
m² of storage area

385
central and regional platforms and local stores

15,000
collaborators

Over
5,500
direct employees in 5 countries

~€50,000 million
invoiced in products and services

€2,636 millions
of market capitalisation (at the end of the fiscal year)

21%
annual growth of Net Profit

Pay out of
90%
of the Net Profit

Dividend
€0.90
per share

22.2%
of Total Shareholder Return

MAIN FIGURES

	30-09-2016	30-09-2015	Δ%
Balance Sheet (million euros)			
Total Assets	6,723	6,478	3.8%
Shareholders' Equity	490	443	10.6%
Profit and Loss Statement (million euros)			
Revenues	9,632	9,471	1.7%
Economic Sales	1,038	1,010	2.8%
Adjusted EBIT	235	223	5.3%
Profit from Operations	177	160	10.8%
Net Income	132	109	21.0%
Cash Flow (million euros)			
Cash Flow	222	199	11.8%
Data per share and stock market ratios			
Share Price (€)	19.86	16.86	17.8%
Market Capitalisation (million euros)	2,636	2,238	17.8%
Book Value per share (€)	3.69	3.33	10.6%
Share Price / book value	5.38	5.06	6.3%
Relevant ratio			
ROE	27.0%	24.7%	+230 b.p.
PER (share price / earnings per share)	19.93	20.50	(2.8)%
Earnings per share	1.0	0.82	21.0%
Other data			
Number of shares	132,750,000	132,750,000	-
Average number of employees	5,545	5,462	1.5%
Number of points of sale with recurrent distribution (aprox.)	300,000	300,000	-

Cash Flow: Net Income + depreciation and amortisation
ROE: Net Income / Shareholders' Equity
Earnings per Share: Net Income / Number of shares

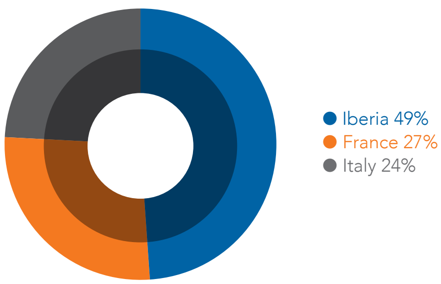
The full Annual Report and Annual Accounts 2016 is available here.

Adjusted EBIT: **+5.3%**

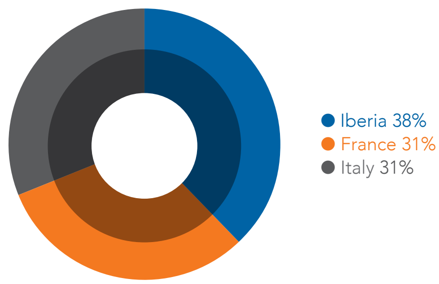
Net Income: **+21.0%**

Share revalorisation: **+17.8%**

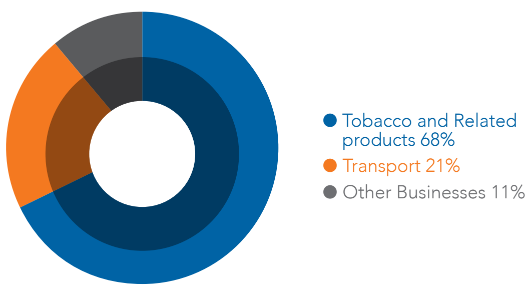
GEOGRAPHICAL BREAKDOWN OF ECONOMIC SALES %



GEOGRAPHICAL BREAKDOWN OF ADJUSTED EBIT %



BUSINESS ACTIVITIES BREAKDOWN OF ECONOMIC SALES %



LOGISTA DISTRIBUTES PRODUCTS AND SERVICES TO SOME 300,000 POINTS OF SALE IN SPAIN, FRANCE, ITALY AND PORTUGAL, PROVIDING MANUFACTURERS WITH THE BEST AND FASTEST MARKET ACCESS FOR THEIR PRODUCTS AND SERVICES.

LOGISTA DISTRIBUTES TOBACCO AND CONVENIENCE PRODUCTS, PHARMACEUTICALS, ELECTRONIC TOP–UPS, BOOKS, PUBLICATIONS AND LOTTERIES, AMONG OTHERS.

CONSOLIDATED PROFIT & LOSS STATEMENTE AND BALANCE SHEET

CONSOLIDATED PROFIT & LOSS STATEMENT

(million euros)	Fiscal Year 2016	Fiscal Year 2015
Revenues	**9,632**	**9,471**
Economic Sales	**1,038**	**1,010**
(-) Distribution costs	(663)	(648)
(-) Sales and Marketing expenses	(64)	(63)
(-) Research expenses and G&A expenses	(77)	(76)
Total costs	**(803)**	**(787)**
Adjusted EBIT	**235**	**223**
(-) Restructuring costs	(7)	(13)
(-) Amort. of intangibles Logista France	(52)	(52)
(-) Net result on disposal and impairments	0	2
(-) Share of results of companies and others	1	0
Profit from Operations	**177**	**160**
(+) Financial income	14	12
(-) Financial expenses	(3)	(4)
Profit before Taxes	**188**	**168**
(-) Corporate Income tax	(55)	(58)
Effective Income Tax Rate	29.4%	*34.6%*
(+/-) Other income / (Expenses)	(0)	(0)
(-) Minority interest	(0)	(0)
Net Income	**132**	**109**

Figures rounded to million euros

The full Annual Report and Annual Accounts 2016 is available here.

CONSOLIDATED BALANCE SHEET

(million euros)	30-09-2016	30-09-2015
Property, Plant and Equipment and other Fixed Assets	209	216
Net Long Term Financial Assets	29	10
Net Goodwill	919	919
Other Intangible Assets	602	661
Deferred Tax Assets	22	41
Net Inventory	1,086	1,061
Net Receivables and Others	1,793	1,773
Cash & Cash Equivalents	2,063	1,798
Total Assets	**6,723**	**6,478**
Shareholders' Equity	490	443
Minority Interests	2	2
Non Current Liabilities	38	48
Deferred Tax Liabilities	329	328
Short Term Financial Debt	34	32
Short Term Provisions	17	17
Trade and Other Payables	5,814	5,609
Total Liabilities	**6,723**	**6,478**

Figures rounded to million euros

VALUE CHAIN

3 ORDER PREPARATION

- Order preparation using radiofrequency
- Consolidation of orders from several suppliers with single delivery
- Customised labelling and packaging
- Automated classification of shipments

2 STORAGE AND STOCK MANAGEMENT

- Real-time inventory management
- Customised safety stock management
- Adaptability to different types of products
- Availability of tax and bonded warehouses
- Temperature-controlled storage

1 OMNICHANNEL ORDER TAKING. PURCHASE OF PRODUCTS

- Multimodal order taking: Point-of-Sale (POS) terminals, Internet, telephone, cash&carry...
- Online order processing and follow-up
- Safety stock management at the supplier's warehouses with daily order connection

TRANSPORT AND DISTRIBUTION

4

- Integrated temperature-controlled transport and distribution
- Design and management of computerised open routes
- Merchandise risk coverage
- Online connection with loading and unloading centres, and carriers
- Fleet control and tracking (GPS, GSM...)
- Multimodal transport (express, full load…)
- Industrial parcel and capillary distribution
- Express courier, parcel and documentation transport
- Delivery

INVOICING AND COLLECTION

5

- Invoicing
- Collections via cash on delivery, credit card, bank transfer …
- Administrative support
- Incident management
- Up-to-date maintenance of applications and price information
- Integration of external call centres

CUSTOMER AND AFTER-SALES SERVICE

6

- POS terminals and applications for point-of-sale management
- Local stores for point-of-sale supply and service
- Catalogue of convenience products adapted to the point of sale
- Up-to-date management and control of order status
- Incident management
- Control and Management of returns
- Exchange of goods
- Customer information hotline service
- Integration with external call centres
- Sales analysis and marketing plans

FACILITATING ACCESS TO PRODUCTS

Logista provides manufacturers and points of sale with a specialised distribution service adapted to products, points of sale and its end consumers, along with other added value services and powerful Business Intelligence tools.

Logista's service provides the most advanced product traceability and control across each phase of the supply chain, including thermal control if needed.

Logista so provides manufacturers with the best and most adequate access of their products and services to the end consumer in Southern Europe, while providing points of sale with a wide product portfolio adapted to their clients and an efficient distribution, increasing their revenues and profitability and so becoming the best partner for their businesses.

POINT OF SALE TERMINALS

Logista interacts with the point of sale to improve the value chain, increasing supply efficiency and transparency from manufacturers to end consumers.

Logista has an installed network of around 47,000 POS Terminals in points of sale it recurrently distributes to.

The POS Terminals are customised-developed for each country and sector where the Group is present. With them, points of sale can increase their sales, improve their management and raise their profitability, facilitating the order taking and follow-up, invoicing, knowledge about stock availability, point of sale stock management, access to promotions, etc.

Points of sale have in Logista's POS terminals their best ally to increase their businesses' revenues and profitability.

OPERATING EFFICIENCY AND PROXIMITY TO POINTS OF SALE

Logista has a wide presence in Spain, France, Italy and Portugal, distributing to around 300,000 points of sale accessed every day by some 45 million consumers.

Its vertical and integrated model of distribution, transport and information systems infrastructures combines efficiency in the logistics operations adapted to the product with a full control and traceability in the transport and specialised distribution services.

385 central and regional platforms and local stores provide the point of sale with a local and nearby presence, where they can access a wide offer of products and services, a direct contact and customer support.

Thus, Logista gains efficiency and operating flexibility to provide a specialised distribution service with full coverage in the countries where it is present, close and in permanent contact with the points of sale, strengthening the relationship with the retailer, continuously improving its knowledge and information on markets and the marketing of products.

LOGISTA HAS AN INSTALLED NETWORK OF AROUND 47,000 POS TERMINALS IN POINTS OF SALE IT RECURRENTLY DISTRIBUTES TO.

GEOGRAPHICAL COVERAGE

Points of sale	Storage area	Central and regional platforms	Local stores	Collaborators
~300,000	+1,000,000 m^2	42	343	15,000

~47,000 POINT OF SALE TERMINALS

Providing a global solution to the point of sale and helping to optimise the management and profitability of its business.

OVER 340 LOCAL STORES IN SOUTHERN EUROPE

Ensuring full coverage and proximity to the point of sale. Its stores and cash&carries are contact points, direct and urgent supply points, as well as a showcase of the wide products and service portfolio offered by the Group.

RECURRENT DISTRIBUTION TO AROUND 300,000 POINTS OF SALE

The widest and nearest to the consumer capillary network of points of sale in Southern Europe, accessed every day by 45 million consumers.

TRACEABILITY

Full follow up and physical and thermal control of all distributed products, through advanced information technologies.

ACTIVITIES

SPAIN AND PORTUGAL

Logista strengthened during the fiscal year 2016 its leadership in the distribution of tobacco and convenience products, electronic top-ups, pharmaceuticals, books, publications and lotteries to over 165,000 points of sale in Spain and Portugal.

Logista thus becomes the best partner to market products and services through the most extensive, capillary and specialised network of points of sale in both countries.

In addition, Logista's Transport area, consisting of its Nacex and Integra2 networks and its subsidiary Logesta, also consolidated its leadership in both countries.

TOBACCO AND RELATED PRODUCTS

Logista is the leading distributor of tobacco and convenience products, documents and electronic top-ups to tobacconists and similar points of sale in Spain and Portugal.

The volume of cigarettes distributed by the company rose by 0.2% in both countries, with a minimal increase in Spain and a 6.6% growth in Portugal.

Both countries benefitted from improved tourism and domestic consumption. Activity in Spain was characterised by price stability and a declining illicit trade, while consumers in the Portuguese market were recovered from other tobacco products.

Cigars distributed decreased by 2.9% due to small cigars and RYO fell by 2%, with a larger drop in Portugal after a sharp rise in taxes and prices.

Logista renewed for 5 years its distribution contracts with British American Tobacco and Japan Tobacco International, adding to the renewal in 2015 of the distribution agreement with Philip Morris for 5 years.

Manufacturers so continue renewing their confidence in Logista, its independence, operating neutrality and efficient cutting-edge services, so strengthening the business stability and contracting additional added value services, such as operations to include promotional gifts in Spain or the repacking and support to the manufacturers' sales teams in Portugal.

Logista also provides high added value services to manufacturers and points of sale to improve their knowledge and service to the end customer, as well as their competitive position.

Meanwhile, Logista facilitates to points of sale through Logista Dis in Spain to easily improve their businesses' sales and profitability, with a wide range of products and services

Over

49%
of the Group's Economic Sales

38%
of the Group's Adjusted EBIT

165,000
points of sale distributed

Million euros	Fiscal Year 2016	Δ%
Revenues	2,639.9	+2.5%
Economic Sales	506.7	+3.5%
Adjusted EBIT	95.1	-3.0%

adapted to the point of sale and its end consumer, like smoking items, food including gourmet and refrigerated products, beverages with selection of cellar and alcohol, stationery, leisure, gifts, telephony products, lotteries and electronic top-ups.

Logista Dis expanded its recurrent distribution during the 2016 fiscal year to some 30,000 points of sale, including tobacconists, kiosks and press stores, wholesalers and nearly 5,000 additional assorted points of sale, reinforcing its leadership in the marketing and distribution of convenience products to these channels, improving its sales at double-digit rates and increasing distributed units by over 7%.

Logista's e-commerce platform enables the omnichannel marketing of products and services, and turns points of sale into genuine convenience stores that are efficient, modern and perfectly prepared to market the widest range of products and services to the end consumer.

Logista's "Strator" Point of Sale Terminal plays a fundamental role in this.

Logista expanded its "Stator" network in Spain to over 2,000 devices, providing the point of sale with a global solution by fully integrating it with Logista's businesses.

The "Strator" helps them optimising the management and profitability of their business by knowing the availability of products, making orders and knowing their status, accessing promotions and improving essential aspects in their commercial activity such as seasonality or stock management.

Logista also distributes documents, electronic top-ups and transport cards to tobacconists and similar points of sale in Spain and Portugal.

Logista's own multiproduct platform provided 42 million electronic top-ups for telephony, transportation, electronic money and other products, with a simple management and marketing by the point of sale.

Logista incorporated new telephony clients, like Tuenti, and new products such as data and voice tickets. It also consolidated its leadership in public transportation top-ups

LOGISTA STRENGTHENED ITS LEADERSHIP IN THE DISTRIBUTION OF TOBACCO AND CONVENIENCE PRODUCTS, ELECTRONIC TOP-UPS, PHARMACEUTICALS, BOOKS, PUBLICATIONS AND LOTTERIES TO OVER 165,000 POINTS OF SALE IN SPAIN AND PORTUGAL.

by expanding its activities to the Madrid Regional Transport Consortium, the Barcelona Transport Consortium or Seville Urban Transports.

It also developed new transactional services and incorporated a wide range of digital content products and services such as Google Play, iTunes, Sony PlayStation, Amazon, Nintendo, Xbox ...; as well as gift cards for movie and sports museums tickets, experience packs, etc.

TRANSPORT

Logista is one of the leading transport operators in Spain through Nacex, Integra2 and Logesta in the parcel and express courier, controlled temperature capillary transport, as well as long-haul and full-load management industries, respectively.

Nacex increased its dispatches by near double digit rates and approached 19 million deliveries, a new historical maximum for its activity.

Nacex opened its new platform in Barberá del Vallés (Barcelona), ensuring its services quality in its growth strategy.

It also reinforced itself with differentiating services such as NacexPharma for guaranteed urgent deliveries, with monitoring and temperature control below 25°C to hospital centers, clinics, laboratories, pharmacies and parapharmacies in provincial capitals and populations of over 100,000 inhabitants in Spain, as well as Porto and Lisbon in Portugal.

Nacex so continues committing to the demanding pharmaceutical sector, with efficient and quality services with the Good Distribution Practices (GDPs) certification.

Integra2 increased its shipments by 5.5%, above the industry, to 8.65 million deliveries and consolidated itself as the undisputed referencing firm in the controlled temperature capillary distribution, while reinforcing the Integra2's clear differentiation in services with a strict compliance of the demanding requirements according to the Good Distribution Practices (GDP) for pharmaceutical products.

Integra2 launched its new FARMAPLUS service, a controlled temperature "Premium" service for the pharmaceutical sector, which ensures the transport and delivery of products between 15°C and 25°C in Spain and Portugal at any time of the year.

FARMAPLUS expands the range of specialised services to the industry, completed with its FRIOFARMA service between 2°C and 8°C and its FARMA<25°C service, which ensures the transport at a controlled temperature below 25°C.

Logesta consolidated itself as the leading European transport company for the tobacco industry and opened new international routes. It also increased its electronic products transport business and consolidated its international grouping services for the pharmaceutical sector, reinforced by its Good Distribution Practices (GDPs) and maximum security in transporting goods TAPA certifications.

NACEX REACHED A NEW HISTORICAL MAXIMUM FOR ITS ACTIVITY.

INTEGRA2 IS THE UNDISPUTED REFERENCING FIRM IN THE CONTROLLED TEMPERATURE CAPILLARY DISTRIBUTION.

LOGESTA IS THE LEADING EUROPEAN TRANSPORT COMPANY FOR THE TOBACCO INDUSTRY AND OPENED NEW INTERNATIONAL ROUTES.

OTHER BUSINESSES

Logista Pharma, the specialised logistics and distribution subsidiary for the pharmaceutical sector in Spain and Portugal, continued its recent years' strong growth.

Logista Pharma strengthened its leadership in the pharmaceutical distribution to hospitals, primary care centers and wholesalers, also increasing its activity in Portugal and improving productivity throughout its network of 6 logistics platforms in Spain and Portugal.

Likewise, it continued growing in distribution to pharmacies, with a significant increase in the distribution of OTC without prescription and personal care products, facilitating regular access to over 12,000 pharmacies in Spain and Portugal and to continue deepening the offer of services to them.

The company completed its project so that the pharmacy enjoys greater integration with the Logista Pharma's business and so accesses improvements in making and managing orders, promotions, launches, merchandising, etc.

It also went deeper into its omnichannel strategy with a comprehensive management of the commercialisation through sales force, telemarketing and a better knowledge of this commercial management.

Logista Pharma relies on the Group's networks, Nacex, Integra2 and Logesta, for the transportation and distribution of pharmaceutical products in Spain and Portugal, ensuring full operational integration, physical and thermal traceability, the highest quality standards and the use of cutting-edge information systems.

Logista Libros, the Group's specialised subsidiary for books distribution in Spain, reinforced its leadership as an independent distributor, with a 6% growth in books distributed and by increasing home deliveries for Círculo de Lectores and Casa del Libro at a double digit rate.

Logista Libros also relies on Integra2 and Nacex for the distribution to over 4,200 points of sale, including bookstores and superstores, adding to over 850.000 home deliveries of e-commerce and distance sales orders.

Logista Publicaciones increased its presence in products aimed at children, with new publishers and new "flow pack" products, contributing to improve its market position.

The company distributes products from over 120 publishers to nearly 20,000 points of sale and significantly improved the industry's overall decline. Regarding the following fiscal year, it incorporated the distribution of the Salvat publishing house, so consolidating its leadership in the distribution and management of collectibles.

This leadership was reinforced with its innovative "Guaranteed Reservation", which gains the end customers' loyalty by allowing them to collect the collection issue at the point of sale, and it will contribute to keep improving the information service to the point of sale and the management of the reservation service at the kiosk.

FRANCE

Logista France has consolidated its leader position in the distribution of tobacco and convenience products, documents, electronic top-ups, food and beverages, consumer goods, stationery and smoking items to some 55,000 proximity retailers across the country.

TOBACCO AND RELATED PRODUCTS

Logista France distributes tobacco and convenience products, documents and electronic top-ups to the over 25,000 tobacconists in France.

The volume of cigarettes distributed in the country increased by 1.1%, while RYO distributed rose by 3% and cigars declined by 4.4%, in a context of price stability for the second consecutive year.

During the fiscal year 2016, Logista France continued improving its efficiency and productivity.

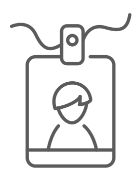
The implementation of the new picking preparation lines in Lyon as well as the optimisation of the network in Southern France reached the expected productivity and profitability improvements.

Likewise, Logista France expanded its offer with new added value services in order to improve its knowledge about the end consumer. These new services have been warmly welcomed by the manufacturers and will continue to be extended during the current fiscal year.

The Point of Sale Terminals network installed in retailers across the country has a fundamental role in these services, benefitting the points of sale with a notable improvement in its commercial and business management.

Logista France also provides tobacconists with a simple and efficient way to improve the sales and profitability of their businesses through its subsidiary company SAF, specialised in the convenience products wholesale distribution to tobacconists in France.

SAF offers tobacconists a broad products and services portfolio, including over 16,000 references adapted to their businesses and end consumers, comprising smoking items, consumer goods, gifts, stationery and documents, as well as a wide range of products and services with electronic top-up.



27%
of the Group's Economic Sales

31%
of the Group's Adjusted EBIT

55,000
points of sale distributed

Million euros	Fiscal Year 2016	Δ%
Revenues	4,410.8	+0.1%
Economic Sales	281.8	-0.8%
Adjusted EBIT	76.2	+3.9%

During the fiscal year 2016, SAF has developed a new call center, integrated with the rest of the Group's businesses, and has also implemented a multichannel project through the cash&carry outlets.

In addition, it started marketing specific furniture for the tobacconist, with a wide assortment of convenience products improving its display and commercial appeal, within an expanding project which will continue during the current fiscal year focused on modernising the point of sale as a convenience store for the client.

Thus, SAF surpassed the growing competitive pressure and improved its profitability despite the tough economic context in the country.

In the electronic top-up activity, Logista France managed over 25 million electronic top-ups, partially offsetting the drop of the phone and parking electronic top-ups by launching new electronic top-ups and transactions, such as those of electronic money.

OTHER BUSINESSES

Supergroup is Logista France's subsidiary distributing over 9,000 references of food and beverages, consumer goods, stationery and smoking items to over 24,000 petrol stations, food stores or vending machine operators, among others.

The company has continued rationalising its client portfolio within a context of overall weakness in consumption and increase of competitive pressure, prioritising profitability and business sustainability criteria.

Thus, Supergroup reduced the points of sale it distributes to and concentrated both the assortment of references as well as the suppliers, according to those best adapted to the end consumer and, so, that are better marketable.

The company has benefitted from the full SAP implantation in its business, which has contributed to improve the operations management and margin, partially offsetting the sales decline.

At the same time, Supergroup has reinforced the relationship with its most significant clients, by renewing and consolidating its agreements, while going more deeply into the best commercial orientation of the sales force.

According to this, Supergroup continues optimising its structure and market position to capitalise any market improvement.

ITALY

Logista Italia continued during fiscal year 2016 boosting its sales, profitability and leadership in the distribution of tobacco and convenience products to some 55,000 tobacconists and convenience stores in Italy.

The volume of cigarettes distributed declined by 0.1%, RYO volume increased by 4.4% and that of cigars diminished by 0.9%, in a market characterised by the market share gain by the low-price segment and the cigarettes price increase during the third quarter of the fiscal year.

Logista Italia continues strengthening its position as the industry's leader distributor of tobacco and convenience products as well as the preferred distributor by the main local and international manufacturers in Italy.

During the fiscal year 2016, the company renewed 13 distribution agreements coming to an end, including, among others, the contracts with Manifatture Sigaro Toscano and those related to the four largest international manufacturers' electronic cigarettes.

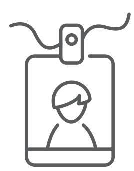
Also, Logista Italia extended its logistics service contract with Philip Morris related to its IQOS next-generation product factory in Bologna.

This demonstrates the manufacturer's confidence in Logista Italia and the company's success in the continuous improvement and efficiency of its integrated distribution services for the sector.

The network of Points of Sale Terminals (POS Terminals) installed in the country consists of some 19,000 terminals. With these POS terminals, points of sale are integrated into Logista Italia's activity and access several services allowing them to improve the management and profitability of their businesses, make and follow-up orders, manage their stocks, etc.

Likewise, Logista Italia has provided tobacconists with new ways of electronic and digital payment, increasing the security of tobacconists and contributing to the continuous modernisation of the points of sale network in the country.

The distribution network, comprising 8 central and regional warehouses and 153 local stores, has continued its optimisation of local warehouses process, completing the orders centralisation process, transforming the local warehouses into transit points and improving the services for the point of sale with the opening of 2 new cash&carry outlets, where tobacconists may access the company's full products and services portfolio and have an additional supplying alternative.



24%
of the Group's Economic Sales

31%
of the Group's Adjusted EBIT

55,000
points of sale distributed

Million euros	Fiscal Year 2016	Δ%
Revenues	2,611.2	+3.7%
Economic Sales	244.9	+6.4%
Adjusted EBIT	75.7	+19.8%

Logista Italia is also contributing to the improvement of the tobacconists' sales and profitability with a broad convenience products and services portfolio, easy to market and manage for the point of sale.

Terzia, Logista Italia's convenience products wholesale subsidiary, markets over 3,000 references of smoking items, stationery, games, food and beverages, small electronic products, phone cards, etc.

Terzia distributed more than 11 million products to the network of tobacconists in the country and to over 3,500 points of sale in other proximity networks.

Logista Italia's subsidiary continued the implementation of the Group's wholesale business model, based on fully integrating the tobacco products and convenience business operations.

Thus, during the current fiscal year, Logista Italia will go more deeply into the centralised operations model, facilitated by the SAP system implementation and the continued exploitation of its convenience products wholesale distribution platform.

Likewise, Logista Italia has reinforced its omnichannel marketing strategy, promoting it in its relationship with cash&carry outlets, local warehouses, call center and online channels, benefitting from higher efficiency.

This strategy has been boosted through an intensive and comprehensive communication campaign to the whole network of tobacconists in Italy through the web, POS Terminals, agents, bulletins, call centers and specialised media.

Logista Italia so continues to go more deeply into its already close relationship with tobacconists, seeking to feedback mutual trust and improve the profitability of all the players in the distribution chain.

INFORMATION TECHNOLOGIES AND INFRASTRUCTURES

INFORMATION TECHNOLOGIES

The intensive use of innovative IT platforms is one of Logista's main competitive advantages in its services to manufacturers and points of sale, and becomes one of its main assets.

Logista harnesses the most advanced and specialised information systems adapted to each business. Moreover, Logista's businesses international activity allows to exploit synergies and to transfer the best practices across countries and businesses, reducing costs and execution and implementation times.

By using powerful Business Intelligence tools based on the Big Data analysis, Logista provides manufactures with a deep knowledge of the consumer, allowing to exploit a wide range of new distribution opportunities.

At the other end of the supply chain, Logista has developed and implemented Point of Sale Terminals platforms, fully integrated with Logista's processes for ordering and follow-up, invoicing, stock management, accessing promotions, etc, facilitating to points of sale an optimal management of their businesses and helping them to improve their profitability.

In this way, the digital information throughout the whole supply chain becomes a key element of the Logista Group's business model, aiming at fully integrating the value chain from manufacturers to the point of sale and the end-consumer.

The integration of some 47,000 POS Terminals across the different countries and channels within the Group's systems increases the efficiency and profitability of both the points of sale and the Group's activities, while allowing an almost immediate adaptation to any changes in consumption habits, the offer of products and services or regulatory changes.

During the fiscal year 2016, Logista completed a project to centralise the call center activities related to the Group's sales and services management. This omnichannel project has simplified and extended the call center use to 5 business lines with presence in 4 countries with different regulatory frameworks. Likewise, customer service management was integrated.

This highly complex project has unified processes across different businesses and countries where the Group is present, while reducing maintenance costs and increasing customer satisfaction.

> 40% OF INVESTMENTS DIRECTED TO INFORMATION TECHNOLOGIES.

~47,000 POINT OF SALE TERMINALS (POS TERMINALS).

INTEGRATION WITH MANUFACTURERS AND CUSTOMERS.

INFRASTRUCTURES

Logista applies the most advanced and specialised information systems, and extends and integrates them with the infrastructure network, resulting in an end-to-end unification of the Group's entire supply chain.

Logista has one of the most extensive, specialised and technologically advanced infrastructure and transport networks in Southern Europe, comprising 385 platforms and local stores with nearby, local and immediate access for the point of sale, as well as over 5,400 transport vehicles within a specialised and adapted to the distributed product fleet.

The Logista Group's vertical model comprises 42 central and regional warehouses in Spain, Portugal, France, Italy and Poland, where most of the storage, stock management, order processing, grouping, packaging and shipping operations are carried out in a specialised manner tailored to the each kind of product.

Concentrating these activities and inventories allows a high degree of automation and specialisation, resulting in a significant operational efficiency.

During the fiscal year 2016, the positive profitability trend was confirmed, after the network optimisation carried out in France's tobacco activity, and the implementation of new picking lines for tobacco in the Lyon platform has been completed, allowing to improve productivity by 20% in that platform when comparing with the previous fiscal year.

In the wholesale distribution of convenience products to other channels business in France, SAP has been implemented in all platforms, so completing the SAP implementation project across all the wholesale distribution of convenience products businesses in the countries where the Group carries out this activity.

This Logista's central and regional platforms network is complemented with over 340 local stores, ensuring a full coverage and proximity to the point of sale in all countries where the Group is present.

These local stores have cash&carry outlets, which are a contact point for the point of sale as well as a direct and urgent supply point, while displaying the wide range of products and services offered by the Group.

> 1,000,000 M² OF STORAGE AREA.

385 PLATFORMS AND LOCAL STORES IN SOUTHERN EUROPE.

SUBCONTRACTED FLEET.

In Italy, the Group has continued with its program for optimising and modernising the local warehouses network comprising 153 local stores, according to the model already implemented in Spain and France and always ensuring the proximity to the point of sale and the continuous improvement and modernisation of the network. During the fiscal year 2016, two new and modern cash&carry outlets were opened in Italy.

The Group's Transport division ensures a full physical and thermal traceability, as well as a full control of the transport and the distribution, with permanent routes optimisation and renewal of agreements with transport fleets introducing efficiency criteria.

Integra2 already has vehicles running on Compressed Natural Gas and Liquefied Petroleum Gas. Nacex is testing deliveries in urban areas with alternative vehicles and has made available to its franchises the possibility of testing a 100% electric delivery vehicle, and Logesta continues incorporating the most efficient technology, prioritising Euro VI motorisation and Green Tech technology.

Nacex has opened a new platform in Barberà del Vallés to meet the growth experienced by its activity in recent years.

This new platform, with a 4,000 m² area for crossdocking, will carry out the automated management of most of the merchandise in the peninsula's Northeast area, one of the most important areas for Nacex's activity. It also has a 2,100m² warehouse for 4,000 pallets and a <25°C controlled temperature chamber.

Logista Pharma has also increased its controlled temperature capacity, both in facilities and in the transport network.

Thus, Logista has a specialised network with full capillary coverage in every country where it is present, distributing in a recurrent, efficient and specialised manner to some 300,000 points of sale.

CORPORATE SOCIAL RESPONSIBILITY

Logista understands the Corporate Social Responsibility (CSR) as the integration of the ethical, business, social, environmental, economic, transparency and Good Corporate Governance principles and values into its strategy, business model, activities and management, taking into account the requirements by its stakeholders, and always under a model of active contribution to sustainable development, compliance with regulations and regard for regulatory recommendations on corporate governance.

In June 2016, the Logista' Board of Directors formulated its Corporate Policy on CSR, in order to set a framework for the CSR management in the Group in accordance with its corporate strategy, and from which emanate all initiatives and projects in this matter.

At that aim, the Group has maintained an active dialogue with the different stakeholders through several communication channels, aiming to acquire commitments contributing to a sustainable business model and providing Logista-related stakeholders with the maximum possible value.

Logista publishes a comprehensive Annual Report on Corporate Social Responsibility, including the Logista's CSR strategy, the Group's principles and commitments and the actions carried out by Logista during the fiscal year.

The Logista Group acts responsibly and honestly in all of its activities. Our behaviour and decisions to attain the Group's objectives are based on some corporate deep-settled values in the Logista Group:

- Respect.
- Initiative.
- Professionalism, integrity in management and transparency in the Group's actions and relationships with its stakeholders, particularly with its employees.

STAKEHOLDERS

The Logista Group identifies as stakeholders those groups that may influence or may be influenced by the Logista Group's activities from a social responsibility point of view.

These groups are diverse and numerous, although they could be gathered into the following groups: employees, shareholders and investors, clients and channels, suppliers and the society in general, with particular emphasis in

THE LOGISTA GROUP ACTS RESPONSIBLY AND HONESTLY IN ALL OF ITS ACTIVITIES.

the Group's social action and environmentally sustainable activity. The CSR Policy approved in June of this fiscal year, has been harmonised around these stakeholders.

The Logista Group holds a permanent dialogue with the different stakeholders through a number of communication channels.

This continuous contact has allowed identifying relevant aspects in CSR for each stakeholder and, as a consequence, establishing commitments included in the CSR Policy, which aim at promoting stable and mutually profitable relationships.

MAIN COMMUNICATION AND DIALOGUE CHANNELS WITH STAKEHOLDERS

- With employees: periodical meetings, surveys, suggestions boxes, intranet, web, newsletters…

- With shareholders and investors: personal contacts, participation in seminars and forums, in-person or audio webcast meetings to inform about results, specific email and phone for shareholders and investors, corporate website...

- With clients: call center, specific email and form in the corporate website, complaints and claims systems, satisfactions surveys, interviews…

- With suppliers: personal contacts, in-person meetings, email, phone, suppliers' webs…

- With the society in general: relationships with different social organisations in the communities where the Group is present and direct relationships with the different public administrations in the countries where the Group operates in; relationships with the media through press releases, meetings, corporate and countries' websites, direct relationship… Regarding environment: specific email in the corporate website, participation in environmental organisations, initiatives and associations…

COMMITMENTS TO STAKEHOLDERS

1. **Commitments to Good Governance**

   The Logista Group's Good Corporate Governance model is based on the best practices in Corporate Governance and, consequently, on the Principles and Recommendations by the Good Governance Code of Listed Companies approved by the Comisión Nacional del Mercado de Valores (Spain's stock market supervisor), as well as on the good governance criteria and guidelines issued by markets supervisors and other operators such as business associations, proxy advisors, etc.

   - The promotion of the best practices of corporate governance by means of the ethical, responsible and honest management of the business.

   - The fostering of transparency and bidirectional communication with the several stakeholders.

   - The assumption of the Group's fiscal responsibility in all the countries in which it carries out significant

POLICY ON CORPORATE SOCIAL RESPONSIBILITY FORMULATED IN 2016.

GOOD CORPORATE GOVERNANCE.

ACTIVE DIALOGUE WITH STAKEHOLDERS.

LOGISTA CORPORATE GOVERNANCE MODEL IS BASED ON THE BEST PRACTICES IN CORPORATE GOVERNANCE AND ON THE PRINCIPLES AND RECOMMENDATIONS BY THE GOOD GOVERNANCE CODE OF LISTED COMPANIES APPROVED BY THE SPAIN'S STOCK MARKET SUPERVISOR.

operations, in accordance with the Group's Fiscal Policy.

- Incorporating into the performance of the activity the principles of the United Nations Global Compact.

2. Commitments to Shareholders and Investors

The Company is very much aware of its shareholders and investors' interests, and endorses the principles of Good Corporate Governance, with special emphasis on transparency and responsibility to the community of shareholders and investors.

The Group has committed itself to permanent dialogue with shareholders and investors, as well as to the creation of sustainable long term value.

- The creation of sustainable long term value.
- The prudent and responsible management of all risks, both financial and non-financial, and working towards the inclusion of the latter in the risks managed by the businesses.
- The promotion of integrity and transparency in the Group's information reported to its shareholders and investors.
- Guaranteeing equal treatment, facilitating the exercise of the shareholders' rights.

3. Commitments to our Employees

The Logista Group's staff is one of the main assets in developing the Group's business model and in attaining its business objectives.

- Promoting the employment and motivation of teams, establishing a long-term employment relationship and promoting an atmosphere at work that includes high levels of motivation and satisfaction.
- Developing actions designed to recruit talent, the implementation of processes to identify talent internally and the promotion of continual opportunities for development.
- Spurring the training and qualification of our employees, and encouraging continuous learning to achieve better performances and career advancement within the Group.
- The establishment of a policy on remuneration and social benefits which facilitates the engaging of the best professionals, together with the reconciling of work and family life.
- Promoting diversity and equality of opportunities, maintaining the commitment to non-discrimination, equality of opportunities and respect for diversity in all its forms.
- Regarding the health and safety of the employees as a fundamental value for the Group, and ensuring that the working environment is safe and healthy.

4. Commitments to Clients and Channels

Clients are one of the Logista Group's mains assets, and so it devotes its strongest efforts to continuous improvement, seeking service excellence and quality, interacting with clients and points of sale channels to know their needs, expectations and degree of satisfaction.

- Promoting excellence and quality in the service.

- Spurring initiatives which foster the complete satisfaction of the customers and the correct functioning of the sales channels.

- Establishing stable, long-term relationships.

5. Commitments to Suppliers

The Logista Group has a Purchasing Policy in accordance to the Group's principles on ethics, labour, environmental responsibility, quality and vocation for clients that it applies to every purchase, with the objective of ensuring maximum transparency in the process of contracting suppliers, as well as in preventing fraud risks in the Purchasing processes, setting the basic internal control elements needed.

- Promoting the optimisation and rationalisation of resources by means of the centralisation of purchases, whenever possible, thus achieving more transparency, efficiency and fairness.

- Guaranteeing maximum transparency in the contracting process.

- Preventing the risk of fraud in the purchasing process by establishing the necessary basic elements of internal control.

- Promoting among the suppliers the knowledge and application of the Code of Conduct and of the principles upon which the Group's Purchasing Policy is based.

6. Commitments to Society and Environment

For years, the Logista Group has been developing good practices included in its Quality and Environment Director Plan, as well as participating in some social initiatives. All these actions are within the framework of the Group's commitment to economic development, social well-being and respect for the environment in which it develops its activities.

- Consolidating the system for calculating and reporting on emissions of 'greenhouse' gases, incorporating it into the system of environmental reporting and devising a control panel which enables Logista to identify, monitor and control the most relevant environmental indicators in this field.

- Collaborating in, participating in, and supporting national and international initiatives in the protection of the environment.

- Impelling the launch and development of the Plan for Energy Efficiency, identifying measures designed to reduce the consumption and increase the yield of energy.

- Promoting in the Company the culture of corporate social responsibility, and also social development through voluntary activities.

Annual Report on Corporate Social Responsibility 2016

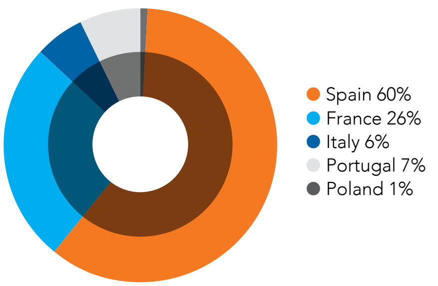
HUMAN RESOURCES

The Logista Group's staff is one of its main assets in developing its business model and in attaining its business objectives.

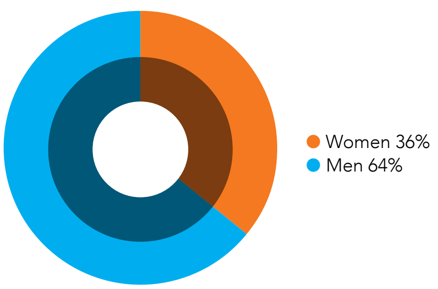
About 15,000 professionals habitually collaborate with the Group, being 5,545 the Group's direct employees.

LOGISTA GROUP'S STAFF

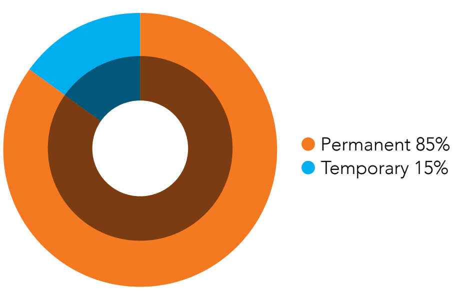
BY COUNTRY %



BY GENDER %



BY TYPE OF CONTRACT %



The Logista Group's Code of Conduct establishes the general guidelines that govern the conduct of the Group's directors, managers and employees in fulfilling their functions and their commercial and professional relations, acting according to each country's laws and respecting the ethical principles of their respective cultures.

TALENT RECRUITMENT AND MANAGEMENT

Logista fosters continuous development opportunities for its professionals through internal talent identification processes, and participate in different initiatives for promoting the employment and the recruitment of external talent.

It is worth highlighting the agreements with different universities and business schools, aiming at providing students with the opportunity to apply and extend their knowledge, as well as identifying and selecting new professionals for the Group.

The Group took part in different forums, like the IESE Business School "Career Forum" and the ESIC Job Fair; while maintaining its "MBA Logista Group Management Program" to attract talent from the main business schools it collaborates with.

Also, during fiscal year 2016 the Logista Group participated in the Comunidad de Madrid III Job Activation Forum, fostering job search and improving work insertion. Also, Nacex participated in RTVE's TV program "There are jobs here".

Regarding recruiting internal talent, Logista keeps initiatives so that the Group's professionals are prepared to assume important positions within the organisation through both the "short term assignments" Program, focused on having international professionals with a global and strategic vision helping to promote transformation and synergies within the Group, and the Talent Committees that analyse professionals, their careers and development potential, and adopt measures to accelerate their professional careers.

This identification of internal talent has allowed the internal promotion and cross-sectional mobility of over 50 professionals within the Group during the fiscal year.

PROMOTION OF EMPLOYMENT AND TEAMS MOTIVATION

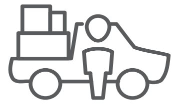
Logista promotes jobs creation and the motivation of working teams, establishing a long term labour relation with its employees in a working atmosphere with high levels of motivation and satisfaction.

The biennial Labour Climate Survey, with guaranty of confidentiality, was carried out among all employees in February 2016, reaching a high participation of 63% of employees, who contributed with over 10,000 comments.

The average valuation of all analised aspects improved when comparing with the results obtained in 2014 and 2012. Employees positively assess the good welcome they receive when joining the Group, the relationship with their hierarchic superiors, the respect and the egalitarian treatment without distinction by gender or age and the vocation for continuous improvement. In addition, they declare to be proud of working in the Group.

After analising the Survey's conclusions, Logista has started several plans of action aimed at improving the communication across all levels of the organisation, the professional development of employees and the strengthening of the team spirit within the Group.

15,000
collaborators in 5 countries



Average staff:
5,545
employees during fiscal year 2016

Accordingly, the use of the Group's collaborative Intranet has been promoted, as well as the diffusion of monthly bulletins; "Team Building" actions have been fostered and "Knowledge sessions" or cross-sectional meetings of employees from different countries, businesses and departments continued in order to exchange experiences from different businesses and countries, while acquiring a deeper knowledge of the Group's different activities.

The Group also has other channels for bidirectional dialogue with its employees to promote communication, through mailboxes for suggestions, periodical meetings, email, etc.

ONGOING TRAINING

Logista boosts the ongoing training of its employees to obtain a better performance and professional promotion within the Group. At that aim, Logista has designed a Global Training Plan focused on Dealing and Sale Skills, Client Orientation and Marketing Strategies, Creativity and Innovation, Communication and Leadership, Projects Management and Financial Control; as well as training programs by countries and businesses focused on the activity, competencies development, languages, safety and health…

During 2016 approximately 75 different training plans were implemented throughout the Group, implying over 255 training actions and an average of almost 14 training hours per professional.

During the fiscal year 2016, the e-learning platform implemented by the Group during the previous fiscal year reached 3,900 active users, 70% of the Group's total staff and gave over 150 courses with high satisfaction by users.

COMPENSATION AND BENEFITS POLICY

Logista commits to the establishment of a compensation and benefits policy favoring recruiting the best professionals and facilitating compatibility of professional and family lives.

The Logista Group's compensation model is based on the principles of internal fairness, external competitiveness, transparency, differentiation and confidentiality.

The Group seeks to stimulate employees through compensation plans linked to the individual performance and the Group's results. During fiscal year 2016 the tool "Success Factors" has been implemented and has improved the determination of individual and group targets, the assessment of employees by its direct people in charge and the vertical communication, while facilitating the selection of training actions and development plans better suited for each employee.

The Group' s Human Resources policies include criteria of labour flexibility and benefits that vary based on the country, the company and work center. The most usual ones include meal grants, life and accidents insurances, advance payments, loans, school grants, medical insurance, access to certain pension plan schemes, as well as improvements beyond regulations regarding leaves or permissions for flexible work schedules and facilitate the compatibility of professional and family lives.

DIVERSITY AND EQUAL OPPORTUNITIES

Logista commits to and promotes the principles of diversity, equality of opportunities and non-discrimination, which are included in the Group's Conduct Code and are assumed by all employees

Thus, the Logista Group promotes helping underprivileged groups with actions like recruiting young intellectually disabled people, groups in risk of exclusion (women victims of gender violence, long term unemployed, etc.) or groups with sensorial disabilities, among others.

SAFETY AND HEALTH

Logista assumes the employees' Safety and Health as a Group's core value, seeking a safe and healthy work environment.

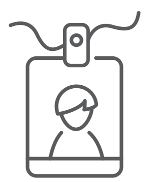
The Group undertakes a proactive management of work Safety and Health throughout the cycle of activities aiming to prevent damages on people, goods and the environment, systematically setting health improvement targets and goals, assessing the performance and applying the corrections needed to reach the proposed targets, defining verification, audit and control processes to assure them.

During the fiscal year 2016, the index of accidents with labour leave frequency ("Lost Time Accident rate") within the Group stood at 2.65 with declines in Spain, Italy, Portugal and Poland.

The Logista Group's annual benchmarking, comparing the Group's results on accidents with those of other companies in similar industries to the Group's businesses, shows the reduction achieved since 2010 and places the Logista Group's index of accidents well below those of companies in comparable industries.

Within the Group's general target of watching over its employees' safety and health, certifications or certification renewals of the safety and health management systems are carried out according to the OHSAS 18001:2007 International Regulation.

When finishing the processes and audits in progress during the fiscal year 2016, almost half of the Group's work centers will be certified, with an application scope exceeding 44% of the employees.



85%

of employees with permanent contract

CLIENTS, CHANNELS AND SUPPLIERS

CLIENTS AND CHANNELS

Clients are one of Logista's main assets, and so it devotes its strongest efforts to continuous improvement and long-term value creation for both parties, as well as for end-consumers of the points of sale it distributes to.

Logista works in establishing trustworthy relationships with clients and so keeping stable and long-lasting links with its clients and points of sale channels, which are profitable for both parties, and always ensuring operating independence and neutrality.

At that aim, Logista involves its clients and points of sale channels in its activity's operating development and improvement to reach the highest reassurance and quality in the value chain.

Thus, the Group interacts with them to know their needs, expectations and degree of satisfaction, and has different bidirectional communication channels to maintain a fluid and direct dialogue, such as call centers, specific email and forms in the corporate website, complaints and claims systems, satisfactions surveys, interviews…

In this way, manufacturers, laboratories and other operators trust in the Group for distributing their products and services.

RECURRENT DISTRIBUTION TO SOME 300,000 POINTS OF SALE.

OPERATING INDEPENDENCE AND NEUTRALITY.

LONG–TERM VALUE CREATION THROUGHOUT THE DISTRIBUTION CHAIN.

Logista continuously implements improvements in its processes and operations to reach service excellence and quality optimisation, and so the Group has certified systems according to national and international regulations, including:

- ISO 9001 certification of the Group's Quality Management System in over 300 premises.
- GDP (Good Distribution Practices) certification according to European and Spanish regulations for distributing pharmaceuticals.
- GMP (Good Manufacturing Practices) certification for a proper handling, relabeling and repackaging of pharmaceuticals, also granted by the Spanish health authorities.
- CCQI (Cold Chain Quality Indicator) certification granted to Integra2, guaranteeing the strict maintenance of the cold chain in warehousing and transportation.
- AEO (Authorised Economic Operator) granted by Spain's AEAT (State Agency for Tax Administration) in its most demanding Customs Simplification, Security and Safety version, guaranteeing a proper customs control, financial soundness, adequate security and administrative management to ensure a satisfactory tax compliance.
- TAPA (Transported Asset Protection Association) certification granted to Logesta, guaranteeing that Facility Security Requirements (FSR) and Trucking Security Requirements (TSR) designed to ensure security and safe transit and warehousing of assets of any TAPA member worldwide are applied.
- Carbon Footprint calculation certification according to UNE-EN ISO 14064 at Group level.

SUPPLIERS

Logista has a Purchasing Policy in accordance to the Group's principles on ethics, labour, environmental responsibility, quality and vocation for clients that it applies to every purchase.

Also, the Group fosters that its suppliers share the same principles than Logista's in these matters and applies to them the needed vocation for quality and the long term mutual creation of value.

This Policy ensures maximum transparency in the process of contracting suppliers, as well as in preventing fraud risks in purchasing processes, setting the basic internal control elements needed.

Aiming at promoting the optimisation and rationalisation of resources, the Group manages the centralisation of relevant purchases of goods and services.

Contracting of goods or services is made by formulating Offers Requests, to which as many suppliers are called as possible.

The selection process is always made according to quality criteria, including technical, economic, environmental and contractual characteristics, the supplier's capabilities and references within the good or service being contracted and the supplier's economic-financial status.

Transparency, efficiency and fairness are fundamental aspects in the purchasing process contributing to establish long term relations with the suppliers, advancing in the mutual confidence and increasing the visibility provided to suppliers in their respective activities.

AIMING AT PROMOTING THE OPTIMISATION AND RATIONALISATION OF RESOURCES, THE GROUP MANAGES THE CENTRALISATION OF RELEVANT PURCHASES OF GOODS AND SERVICES.

ENVIRONMENT AND SOCIAL ACTION

Logista is unambiguously committed to economic development, social well-being and respect for the context it develops its activities in.

At that aim, Logista has been developing for years sustainable projects included in its Quality and Environment Director Plan, as well as participating in some social initiatives.

Logista's commitments to the Society and the Environment are included in the Logista's CSR Policy that may be consulted in English and Spanish at the Group's website, as well as the Quality, Environment and Energetic Efficiency Policy of the Group.

ENVIRONMENT

The Group integrates the environmental policy into its corporate strategy, as part of the added value characterising its services and operations in a process of continuous improvement oriented to excellence.

The Group includes environmental requirements in the purchases tenders with greater impact, and so looks for the most efficient and sustainable solutions favouring the demand of products and services based on a low carbon economy like, for example, the acquisition of electricity with renewable origin.

CONTROL OF GREENHOUSE GASES

The Logista Group is calculating since the fiscal year 2013-2014 the Carbon Footprint of every business and service in the different countries where it operates, according to international standards.

This calculation, including the emissions from both direct and indirect activities, is externally verified under the UNE-EN ISO 14064 norm by an independent audit entity.

During the fiscal year 2015, the latest with externally verified and certified information as of this report's date, the Group reduced its direct emissions by 2.3%, cutting them by 823Tm of CO2e when comparing with the previous fiscal year.

This reduction in emissions implies that the Group has cut its direct emissions by 7.3% since the fiscal year 2013 and by 43% the emissions derived from electric consumption, equivalent to a combined reduction of 6,135 Tm of CO2e in two fiscal years.

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

Accordingly, 138 supplied points and 13 Group's businesses use 100% renewable-produced electricity, preventing the emission of over 15,700Tm of CO2e every year, equivalent to the fixing function of 27,000 trees and to the annual electrical consumption of over 16,000 households.

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

	Fiscal year 2015 (Tm CO_2e)
Direct Emissions	35,065
Indirect Emissions	204,332
Total Emissions	**239,397**

ENERGY EFFICIENCY PLAN

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

Thus, the Group continuously works in optimising routes and renewing transport fleets agreements introducing efficiency criteria.

Integra2 already has vehicles running on Compressed Natural Gas and Liquefied Petroleum Gas, and expects to add 80 ECO vehicles to its fleet next fiscal year for its capillary delivery in Barcelona, Madrid and delegations of its network when renewing or adding to its fleet of over 1,300 vehicles.

Nacex is testing deliveries in urban areas with alternative vehicles to identify the most adequate vehicle for each type of service, and has made available to its franchises the possibility of testing a 100% electric delivery vehicle.

Regarding long-haul transport, Logesta continues incorporating the most efficient technology, prioritising Euro VI motorisations and Green Tech technology.

NATIONAL AND INTERNATIONAL INITIATIVES ON ENVIRONMENTAL PROTECTION

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

The Group has participated as founding member of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth), a non-profit businesses association gathering, among others, 29 of Spain's largest companies, aiming at transferring to the society and the Public Administration its vision on the sustainable economic growth model compatible with the efficient use of natural resources; and also participates in papers and technical, divulging and/or of environmental analysis reports, such as the Carbon Disclosure Project (CDP) or the FTSE4Good.

In October 2016, CDP has recognised Logista as one of the global leading companies fighting against climate change, adding it to the prestigious "A-List" group, which includes 193 companies throughout the world.

The information reported to CDP includes that related to both corporate actions and strategies as well as the Group's companies, valuing the measures and improvements implemented in recent years and so extending the recognition to all of them. Likewise, this award rewards the Logista Group's effort and evolution and places it as a model and benchmarking company for entities participating in the CDP Program.

SOCIAL ACTIONS

PROMOTING CSR CULTURE

Logista believes its activity is part of the community it integrates into and actively commits to economic development, the social well-being and respect to the environment it develops its activities in. For this reason, the Group actively participates and supports humanitarian, cultural and sport initiatives, mainly solidarity actions at a local level, participating and financing several projects devoted to improve the well-being and the integration of people.

Logesta and Integra2 donate their transport services to the olVIDAdos Association to transport food to social lunch rooms, parishes or assistance points.

Also, Integra2 freely collected food at supermarkets, hypermarkets and superstores to be delivered to the Madrid, Barcelona, Seville and Cádiz Food Banks. Nacex also collected food in collaborating sport clubs and Nacex agencies to be delivered to Cáritas in Barcelona and Pamplona in its "Entitats amb Cor" program.

In addition, Nacex was Official Transport for the Ayuda en Acción Christmas campaign with free delivery of its catalogues to fight poverty. It also collaborated with Huertea by sponsoring an area in an organic crop whose collection will be distributed to Cáritas and/or to social lunchrooms.

Regarding improving patients well-being at hospitals, Nacex made the deliveries related to the awareness campaign by the Spanish Federation of Rare Diseases (FEDER) during the Rare Diseases World Day.

Nacex also freely delivered Christmas toys to hospitalised children by collaborating with "Let not lack anything" and sent La Cuentista material to altruistically perform a play in a hospital. Integra2 gratuitously transported toys for Seville's Fundación Pequeño Deseo, and Logesta kept supporting together with its staff the Juegaterapia Foundation, dedicated to improve the quality of life of hospitalised children with cancer.

Nacex helped and disseminated the Josep Carreras Foundation charity campaign and, like Logesta, collaborated with the "Fight Cancer" charity campaign in TV3's Marató. Also, Logista France sponsored the "Odyssea Race" against cancer.

Integra2 continued collaborating in the clinical investigation of the San Filippo rare disease by gratuitously transporting plastic caps for recycling and fund raising, and Nacex supported the Multiple Sclerosis charity campaign.

Nacex also sponsored the "The Factory of Dreams" project by Get Your Dreams Fundació, and helped Madeleine to start her studies at the Hoffman cooking school and fulfill her dream of being the cook of a great restaurant and helping her family in Senegal.

Nacex and its collaborators also picked up used books for Recicla Cultura Foundation to later sell them, raising funds for literacy courses to immigrants and so facilitating their first step forward towards social inclusion.

Nacex continued sponsoring its Challenge for former Real Madrid and Barcelona football players, raising funds for children at risk of social exclusion, and also collaborated with Gran Explorador and Transparencia Social y Solidaria in a project with young people with difficulties in social integration.

Logesta continued the support, started in 2002, of children in Cambodia, Peru and Guatemala thanks to the collaboration with Fundación Eco and Global Humanitaria.

Regarding sports, Integra2 sponsored the young rallies pilot Roberto Blach Jr, the Boldor Rioja Classic team of vintage motorcycles, the Terrassa Padel Club and Logesta sponsored 4 mixed volleyball teams in Leganés.

Also, Nacex sponsored Pere Suñé Foundation's IX° Kern Pharma International Meeting Grand Prix "SAULEDA" for disabled athletes.

Additionally, Integra2 participated with its delegates in numerous actions in sports. It collaborated with the Almería delegation in organising and promoting the

PRO-AM Golf tournament, which scores in the Spain Championship, as well as in diverse actions of child football and the II Chess and Computers Formative Journeys and the Indalo Chess Club.

It also collaborated with the Cáceres delegation in sponsoring the Integra2 Navalmoral Indoor Football team and promoting its lower teams, as well as with the Burgos delegation in sponsoring the AutoCross pilot David Urbán and in diverse actions in sports by the Vigo and Murcia delegations.

Meanwhile, the Group through Integra2 sponsored Miquel Silvestre and his "Nomad Journey" while he crossed America in motorcycle, helping to let the Spanish explorers' history and places in the continent be known, that Televisión Española also broadcasted. Also in the cultural area, Logista Italia sponsored the Cervantes Institute in Italy.

SHAREHOLDERS AND INVESTORS

Logista has as main objective the creation of long-term sustainable value for shareholders and investors. At that end, Logista prudently and responsibly manages all risks, both financial and non-financial, while seeks out profitability in all its operations, analysing them both individually and within the context of their value contribution to the Group.

The Group endorses the principles of Good Corporate Governance, with special emphasis on transparency and responsibility to the community of shareholders and investors. Accordingly, Logista approved in 2015 the Group's Policy on Information and Communication with Shareholders, Securities Markets and the Public Opinion.

LOGISTA ON THE STOCK EXCHANGE

During the fiscal year 2016, comprising from October 1st 2015 to September 30th 2016, the Logista share price increased by 17.8%, compared to an 8.2% decline of the IBEX index during the same period.

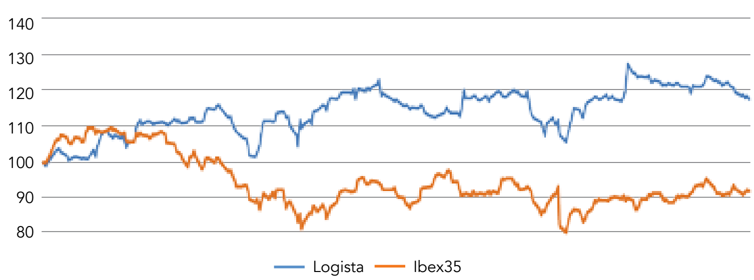
The total number of traded shares during the fiscal year amounted to 40,296,050, representing a 30.4% turnover of the share capital, with a 100% trading frequency and an average volume of 156,186 shares traded per stock market session.

Since December 2014, Logista is part of the IBEX MEDIUM CAP index, which includes the largest companies in terms of market capitalisation, adjusted by free float, after those included in the IBEX 35 index.

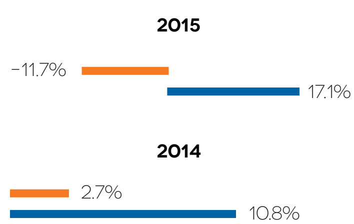
DIVIDENDS

Logista's dividend policy, subject to approval by the General Meeting of Shareholders, consists in an annual dividend distribution (pay out) of, at least, 90% of the Consolidated Net Profit.

PERFORMANCE DURING FISCAL YEAR 2016



HISTORICAL PERFORMANCE



HISTORICAL DATA OF THE LOGISTA SHARE

	Fiscal Year 2014*	Fiscal Year 2015	Fiscal Year 2016
Closing price (€)	14.4	16.9	19.9
Maximum price (€)	14.4	20.2	21.6
Minimum price (€)	13.0	12.9	16.7
Market capitalisation at the end of Fiscal Year (€m)	1,911.6	2,238.2	2,636.4
Number of shares (millions)	132.8	132.8	132.8

*Since July 14th, 2014: IPO
Source: Bloomberg

Market capitalisation as of the end of Fiscal Year 2016:

€2,636m

Total Shareholder Return

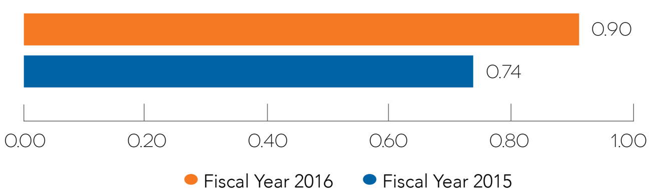
+22.2% in Fiscal Year 2016

Pay out:

90% of the Consolidated Net Profit

Thus, in August 2016, Logista paid a 0.25€ interim dividend per share. Also, the Company's Board of Directors intends to propose the General Meeting of Shareholders the distribution of a final dividend of 0.65€ per share, to be paid by the end of the first quarter of 2017.

DIVIDEND FOR THE FISCAL YEAR



SHAREHOLDING STRUCTURE

As of 30 September 2016, Logista had a share capital, fully subscribed and paid, of €26,550,000€, represented by 132,750,000 shares of €0.20 par value. All shares are of a single class and series with the same rights.

As of such date, and according to the information reported to the CNMV, the significant shareholdings in the Group are those of Imperial Brands PLC with a 70.0% stake and Allianz Global Investors GMBH with a 5.06% stake.

During the fiscal year 2016, the most significant movement in the shareholding structure was that of Fidelity International Limited declining its shareholding below 1%.

Logista has 275,614 own-shares, representing 0.21% of the share capital, in order to meet the commitment of shares distribution resulting from the Company's 2014 General and Special Plans of Shares.

INTEGRITY, TRANSPARENCY AND EQUAL TREATMENT

The Group's Investor Relations and Strategic Analysis department manages the relationship with shareholders and investors with a commitment to maximum transparency in the diffusion of the information, made through different communication channels, with the objective of maintaining a permanent and bidirectional communication with them, aiming at knowing the expectations and concerns shareholders and investors could have and attending them quickly and effectively.

The Group's website, www.grupologista.com, provides basic information on the Group, its activities, relevant facts and most important news, as well as the Group's results presentations.

Logista also organises in-person visits, participates in seminars and forums and makes its e-mail address, investor.relations@grupologista.com and the Investor Relations phone +34 91 481 98 26 available to shareholders and investors to answer any query.

The Group's management annually holds, at least, two in-person or through audio-webcast meetings with analysts and investors to inform about its first half and fiscal year-end results. These audio-webcasts are published in the Group's website, along with the rest of information related to the results.

The General Meeting of Shareholders is the Company's sovereign body and the main participation channel for shareholders in the Company's decisions-making. During the General Meeting of Shareholders, the agenda is deliberated and submitted for approval, observing the Group's obligations to shareholders and investors, who also have the opportunity of sharing their opinions and concerns with the Board of Directors and the rest of shareholders.

Logista grants the right to attend the General Meeting of Shareholders to every shareholder on an equal and equitable basis, notwithstanding their number of shares.

MAIN COMPANIES

The Logista Group consists of Compañía de Distribución Integral Logista Holdings, S.A. and its subsidiary companies, whether direct or indirect:

Compañía de Distribución Integral Logista Holdings, S.A.

- Compañía de Distribución Integral Logista, S.A.U.
    - Grupo Dronas (100%)
        - T2 Gran Canaria (100%)
        - Logista Pharma (100%)
            - Be to Be Pharma (100%)
    - Logista-Dis (100%)
    - Logista Libros (50%)
    - La Mancha (100%)
    - Logesta (100%)
        - Logesta Italia (100%)
        - Logesta Francia (50%)
        - Logesta Deutschland (100%)
        - Logesta Lusa (51%)
        - Logesta Polska (51%)
    - Logista Publicaciones (100%)
        - Distribuidora del Este (100%)
        - Disvesa (50%)
        - Cyberpoint (100%)
        - Distrisur (50%)
        - Distribuidora de Aragón (5%)
        - Provadisa (90%)
        - Las Rías (90%)
        - Distribuidora de Ediciones Sade (100%)
        - Distriberica (100%)
            - Distribuidora del Noroeste (51%)
            - Pulisa (100%)
            - Provadisa (10%)
            - Las Rías (10%)
            - Distribuidora de Publicaciones Siglo XXI Guadalajara (80%)
    - Distribuidora del Noroeste (49%)
    - Logista France Holding (100%)
        - Logista Promotion et Transport (100%)
            - Logesta Francia (50%)
    - Logista France (100%)
        - SAF (100%)
            - Supergroup (100%)
    - Logista Italia (100%)
        - Terzia (68%)
        - Banca ITB (13,33%)
    - Midsid (100%)
    - Logista Transportes e Transitos (100%)
        - Logesta Lusa (49%)
    - Logesta Polska (49%)
    - Logista Polska (100%)
    - UTE Logista – GTech (50%)

BOARD OF DIRECTORS

Mr. Gregorio Marañón y Bertrán de Lis
Chairman

Mr. John Downing
Director

Mr. Eduardo Zaplana Hernández-Soro
Director

Mr. Richard Guy Hathaway
Director

Mr. Stéphane Lissner
Director

Mr. Luis Egido Gálvez
Chief Executive Officer

Mr. David Resnekov
Director

Mr. Nicholas Keveth
Director

Ms. Cristina Garmendia Mendizábal
Director

Mr. Rafael de Juan López
Secretary Director

Logista

10
Directors

40%
of Directors are Independent Directors

11
Board of Directors meetings in 2016

4
year-term as maximum – re-election of Directors

75%
of Independent Directors in the Audit and Control Committee and in the Appointments and Remuneration Committee

- Audit and Control Committee
- Appointments and Remuneration Committee

Annual Report on Corporate Governance 2016

Annual Report on Remuneration of Directors 2016

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

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

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

Deloitte.

Deloitte, S.L.
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Torre Picasso
28020 Madrid
España

Tel.: +34 915 14 50 00
Fax: +34 915 14 51 80
www.deloitte.es

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

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

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

The Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

Deloitte.

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Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

José Luis Aller

26 October 2016

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

DELOITTE, S.L.

Año 2016 Nº 01/16/16912
COPIA

Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

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Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2016 AND 2015

(Thousands of Euros)

ASSETS	Note	30-09-2016	30-09-2015
NON-CURRENT ASSETS:			
Property, plant and equipment	6	189,841	202,241
Investment property		18,732	12,632
Goodwill	7	919,104	919,104
Other intangible assets	8	602,363	660,705
Investments in associates		1,401	478
Other non-current financial assets	9	27,182	9,057
Deferred tax assets	19	22,399	40,904
Total		**1,781,022**	**1,845,121**
CURRENT ASSETS:			
Inventories	10	1,085,829	1,060,502
Trade and other receivables	11	1,777,162	1,755,996
Tax receivables	19	7,596	11,935
Other current financial assets	9	2,039,101	1,775,550
Cash and cash equivalents	12	23,625	22,714
Other current assets		8,382	5,124
Total		**4,941,695**	**4,631,821**
NON-CURRENT ASSETS HELD FOR SALE		**100**	**1,091**
TOTAL ASSETS		**6,722,817**	**6,478,033**

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

EQUITY AND LIABILITIES	Note	30-09-2016	30-09-2015
EQUITY:			
Share capital	13	26,550	26,550
Share premium	14	867,808	867,808
Reserves of the Parent	14	10,828	359
Reorganisation reserves	14	(753,349)	(753,349)
Reserves at consolidated companies	15	223,914	204,498
Translation differences		107	136
Reserve for first-time application of IFRSs	14	19,950	19,950
Consolidated profit for the period		132,079	109,193
Interim dividend	14	(33,119)	(31,860)
Treasury shares	14	(5,032)	(670)
Equity attributable to shareholders of the Parent		489,736	442,615
Minority interests	16	2,132	1,815
TOTAL EQUITY		**491,868**	**444,430**

NON-CURRENT LIABILITIES:			
Other financial non-current liabilities		4,743	4,995
Other non-current liabilities		19	154
Long-term provisions	18	32,830	43,011
Deferred tax liabilities	19	328,717	328,131
Total		**366,309**	**376,291**

CURRENT LIABILITIES:			
Bank borrowings		-	7
Other current financial liabilities	20	33,627	31,658
Trade and other payables	21	888,055	897,640
Tax payables	19	4,784,977	4,600,983
Short-term provisions	18	17,138	16,795
Other current liabilities	22	140,843	110,229
Total		**5,864,640**	**5,657,312**
TOTAL EQUITY AND LIABILITIES		**6,722,817**	**6,478,033**

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 30 SEPTEMBER 2016 AND 2015

(Thousands of Euros)

	Notes	Fiscal Year 2016	Fiscal Year 2015
Revenue	24.a	**9,632,004**	**9,470,990**
Procurements		**(8,593,922)**	**(8,460,920)**
GROSS PROFIT		**1,038,082**	**1,010,070**
Cost of logistics networks:			
Staff costs	24.b	(169,740)	(165,456)
Transport costs		(212,891)	(206,865)
Provincial sales office expenses		(73,664)	(73,776)
Depreciation and amortisation charge	4.2, 6 and 8	(88,894)	(85,345)
Other operating expenses	24.c	(175,743)	(153,450)
Total cost of logistics networks		**(720,932)**	**(684,892)**
Commercial expenses:			
Staff costs	24.b	(42,939)	(40,817)
Other operating expenses	24.c	(21,506)	(22,072)
Total commercial expenses		**(64,445)**	**(62,889)**
Research expenses		**(1,805)**	**(2,382)**
Head office expenses:			
Staff costs	24.b	(54,132)	(63,944)
Depreciation and amortisation charge	4.2, 6 and 8	(1,284)	(4,334)
Other operating expenses	24.c	(19,472)	(33,703)
Total head office expenses		(74,888)	(101,980)
Share of results of companies		902	258
Net gain on disposal and impairment of non-current assets	6 and 8	255	1,689
Other expenses		(26)	(17)
PROFIT FROM OPERATIONS		**177,143**	**159,857**
Finance income	24.e	14,520	12,370
Finance costs	24.f	(3,899)	(4,284)
PROFIT BEFORE TAX		**187,764**	**167,943**
Income tax	19	(55,236)	(58,033)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**132,528**	**109,910**
Result for the period from discontinued operations net of tax		(120)	(300)
PROFIT FOR THE PERIOD		**132,408**	**109,610**
Attributable to			
Shareholders of the Parent		132,079	109,193
Minority interests	16	329	417
BASIC EARNINGS PER SHARE	5	**1.00**	**0.82**

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

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 30 SEPTEMBER 2016 AND 2015

(Thousands of euros)

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2016 AND 2015

(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Translation Differences
Balance at 30 September 2014	**26,550**	**942,148**	**(176)**	**(753,349)**	**142,676**	**180**
Net profit for 2015 attributable to the Parent	-	-	-	-	-	(44)
Loss attributable to minority interests	-	-	-	-	-	-
Actuarial losses (Note 18)	-	-	-	-	(1,124)	-
Income and expenses recognised in the period	-	-	-	-	(1,124)	(44)
I. Transactions with Shareholders:						
Distribution of profit:						
To reserves	-	-	(424)	-	102,771	-
To dividends	-	-	-	-	(39,825)	-
Dividends	-	(74,340)	-	-	-	-
On treasury shares operations	-	-	-	-	-	-
Disposal of non-controlling interests	-	-	-	-	-	-
Incentive Plan	-	-	959	-	-	-
Balance at 30 September 2015	**26,550**	**867,808**	**359**	**(753,349)**	**204,498**	**136**
Net profit for 2016 attributable to the Parent	-	-	-	-	-	(29)
Loss attributable to minority interests	-	-	-	-	-	-
Actuarial losses (Note 18)	-	-	-	-	(1,329)	-
Income and expenses recognised in the period	-	-	-	-	(1,329)	(29)
I. Transactions with Shareholders:						
Distribution of profit:						
To reserves	-	-	8,697	-	2,382	-
To dividends	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
On treasury shares operations	-	-	-	-	-	-
Incentive Plan (Note 4.12)	-	-	1,772	-	-	-
Others (Note 4.8.1)	-	-	-	-	18,363	-
Balance at 30 September 2016	**26,550**	**867,808**	**10,828**	**(753,349)**	**223,914**	**107**

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

Reserve for First-Time Application of IFRSs	Profit for the Year	Interim Dividend	Treasury Shares	Equity attributable to shareholders of the Parent	Minority Interests	Total Equity
19,950	**102,347**	**(39,825)**	**-**	**440,501**	**1,927**	**442,428**
-	109,193	-	-	109,149	-	109,149
-	-	-	-	-	417	417
-	-	-	-	(1,124)	-	(1,124)
-	109,193	-	-	108,025	417	108,442
-	(102,347)	-	-	-	-	-
-	-	39,825	-	-	-	-
-	-	(31,860)	-	(106,200)	-	(106,200)
-	-	-	(670)	(670)	-	(670)
-	-	-	-	-	(529)	(529)
-	-	-	-	959	-	959
19,950	**109,193**	**(31,860)**	**(670)**	**442,615**	**1,815**	**444,430**
-	132,079	-	-	132,050	-	132,050
-	-	-	-	-	329	329
-	-	-	-	(1,329)	-	(1,329)
-	132,079	-	-	130,721	329	131,050
-	(11,079)	-	-		-	-
-	(98,114)	31,860	-	(66,254)	-	(66,254)
-	-	(33,119)	-	(33,119)	-	(33,119)
-	-	-	(4,362)	(4,362)	-	(4,362)
-	-	-	-	1,772	-	1,772
-	-	-	-	18,363	(12)	18,351
19,950	**132,079**	**(33,119)**	**(5,032)**	**489,736**	**2,132**	**491,868**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2016 AND 2015

(Thousands of Euros)

	Notes	Fiscal Year 2016	Fiscal Year 2015
OPERATING ACTIVITIES:		**388,637**	**230,911**
Consolidated profit before tax from continuing operations		**187,764**	**167,943**
Adjustments for:			
Result of companies accounted for using the equity method		(902)	(258)
Depreciation and amortisation charge	6 and 8	90,247	89,885
Provisions recognised/ (reversed)		3,879	9,905
Proceeds from disposal of non-current assets	6 and 8	(255)	(1,761)
Financial profit		(10,621)	(8,086)
Net change in assets / liabilities-			
(Increase)/Decrease in inventories		(22,528)	8,367
(Increase)/Decrease in trade and other receivables		(14,837)	(6,221)
Increase/(Decrease) in trade payables		(9,585)	(67,871)
Increase/(Decrease) in other current liabilities		194,826	121,047
Increase (Decrease) in other non-current liabilities		(135)	(20,421)
Income tax paid		(39,837)	(69,800)
Finance income and costs		10,621	8,182
INVESTING ACTIVITIES:		**(285,701)**	**(133,258)**
Payment for investment			
Property, plant and equipment	6	(15,818)	(16,852)
Intangible assets	8	(9,077)	(13,856)
Other current financial assets		(263,057)	(106,307)
Proceeds from financial divestments			
Property, plant and equipment	6	2,251	3,077
Group companies, net of cash in consolidated companies	16	-	680
FINANCING ACTIVITIES:		**(102,025)**	**(106,755)**
Payment of dividends and remuneration of other equity instruments			
Dividends	14	(99,373)	(106,200)
Proceeds and payments of equity instruments			
Acquisition of treasury shares	14	(4,362)	(670)
Proceeds and payments for financial liability instruments			
Repayment and amortization of:			
Current borrowings		(252)	(38)
Other payables		(7)	-
Debt issuance		1,969	153
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**911**	**(9,102)**
Cash and cash equivalents at beginning of year		**22,714**	**31,816**
Net change in cash and cash equivalents during the year		911	(9,102)
Total cash and cash equivalents at end of year		**23,625**	**22,714**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2016

1. GENERAL INFORMATION ON THE GROUP

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

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

The reporting period of most of the Group companies starts on 1 October of each year and ends on 30 September of the following year. The twelve-month period ended 30 September 2015 will hereinafter be referred to as "2015", the period ended 30 September 2016 as "2016", and so on.

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

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

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

A detail of the investees included in the scope of consolidation comprising the Logista Group at 30 September 2016 and 2015 is provided in Appendices I and II, which includes, inter alia, the percentage and cost of the ownership interest held by the Parent and the line of business, company name and registered office of each investee.

In turn, Altadis, S.A.U., the majority shareholder of the Parent, belongs to the Imperial Brands Group PLC. which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Brands Group PLC for 2015 were formally prepared by its Directors at the Board of Directors meeting held on 3 November 2015.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS AND BASIS OF CONSOLIDATION

2.1 Authorisation for issue of the consolidated financial statements

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

a) The Spanish Commercial Code and all other Spanish corporate law.

b) International Financial Reporting Standards (IFRS), as adopted by the European Union, in conformity with Regulation (EC) no, 1606/2002 of the European Parliament and Law 62/2003, of 30 December, on Tax, Administrative, Labour and Social Security Measures.

c) All other applicable Spanish accounting legislation.

The accompanying consolidated financial statements, which were obtained from the accounting records of the Company and of its subsidiaries, are presented in accordance with the regulatory financial reporting framework applicable to the Group and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Group's equity, financial position, results of operations and cash flows for 2016. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 25 October 2016. The directors of Compañía de Distribución Integral Logista Holdings, S.A. will submit these consolidated financial statements for approval by the Shareholders, and it is considered that they will be approved without any changes.

The consolidated financial statements for 2015 were formally approved by the General Shareholders' Meeting on 16 March 2016.

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

2.2 Standards and interpretations effective in the current period

In the year ended 30 September 2016 the following standards, amendments to standards and interpretations came into force, which, if applicable, were applied by the Group in the preparation of the consolidated financial statements:

Standards and modifications thereof:	Contents	Obligatory Application in Annual Reporting Periods Beginning On or After
IAS 19 (Revised) Defined Benefit Plans: Employee Contributions (published in November 2013)	The amendment was issued to make it possible to deduct these costs contributions of the service cost in the same period in which they are paid when certain requirements are met.	1 February 2015
Improvements to the 2010-2012 IFRS Cycles (published in December 2013).	Minor amendments to a number of standards.	1 February 2015

2.3 Standards and interpretations issued but not yet in force

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

Standards and modifications thereof		Obligatory Application in Annual Reporting Periods Beginning On or After
Amendment to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation (published in May 2014)	It clarifies the methods acceptable for depreciation and amortisation property, plant and equipment and intangible assets.	1 January 2016
Amendment to IFRS 11 Accounting for acquisition of interests in joint ventures (published in May 2014)	It specifies how to account for the acquisition of interests in a joint venture whose activity constitutes a business.	1 January 2016
Amendment to IFRS 10 and IAS 28 Sale on contribution of assets between an investor and its associate or joint venture (published in May 2011)	It specifies how to account the sale on contribution of assets between an investor and its associate or joint venture.	1 January 2016
Amendment to IAS 27 Equity method in separate financial statements (published in August 2014)	Equity method will be allowed to be applied to the individual statements of an investor.	1 January 2016
Improvement to IFRS 2012-2014 Cycle (published in September 2014)	Minor amendments to a number of standards.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities (December 2014) (a)	Clarification on the exception for consolidation of investment companies.	1 January 2016
Amendments to IAS 1: Disclosures initiative (December 2014) (a)	Various clarifications regarding the itemizations (materiality, aggregation, order of the notes, etc.).	1 January 2016
Amendment to IAS 12 Recognitions of deferred asset taxes for unrealized losses (published in January 19, 2016) (a)	It refers to the DTS of available items for the sale of debt with fair value lees tan the cost.	1 January 2017
Amendment to IAS 7 Initiative of itemizations (published in January 29, 2016) (a)	Reconciliation of changes in liabilities in the balance sheet with flows from financing activities.	1 January 2017
IFRS 9 Financial Instruments. Classification, valuation, recognition and derecognition (last phase published in July 2014) (a)	In replaces the requirement for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	1 January 2018
IFRS 15 – Revenue from Contracts with Customers (published in May 2014) (a)	New income recognition standard (replaced IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
Amendments to IFRS 2, Classification and Measurement of Share-based Payment Transactions (a)	Limited amendments clarifying specific issues such as the effects of vesting conditions on cash-settled share based payments, the classification of share-based payment transactions with net settlement features and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018
IFRS 16 Leases (published in January 2015) (a)	New standard on leases that replaces IAS 17. Lessees will include all leases on the balance sheet as if they were financial purchases.	1 January 2019

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

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

- **IFRS 9 – Financial Instruments**

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

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

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

- **IFRS 15 – Revenue from Contracts with Customers**

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

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

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

2.4 Information relating to 2015

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

2.5 Presentation currency

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

2.6 Responsibility for the information and use of estimates

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

In preparing the consolidated financial statements for 2016, estimates were made by the Group's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

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

Although these estimates were made on the basis of the best information available at 2016 year end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.7 Basis of consolidation

2.7.1 Subsidiaries

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

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

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

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

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

2.7.2 Joint ventures and joint operations

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

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

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

2.7.3 Associates

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

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

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

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

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

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

2.7.4 Translation of foreign currency

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

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

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

In 2016 all of the Logista Group companies presented their financial statements in euros, except for Compañía de Distribución Integral Logista Polska, Sp. z.o.o. and Logesta Polska Sp., z.o.o. (both located in Poland).

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

The most significant changes in the scope of consolidation in 2016 and 2015 that affect the comparison between years were as follows:

1. Main changes in the scope of consolidation in 2016

Disposals

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

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

2. Main changes in the scope of consolidation in 2015

Additions or acquisitions

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

Disposals

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

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

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

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

2.8 Materiality

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

3. DISTRIBUTION OF PROFIT OF THE PARENT

The distribution of the profit for 2016, amounting to EUR 122,807 thousand, that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows (in thousands of Euros):

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

In accordance with current legislation, the Parent Company evaluated the liquidity statement at the approval date of the interim dividend. Based on this evaluation, on 26 July 2016 the Company had EUR 87,335 thousand available, relating to EUR 10,335 thousand that it had lent to Compañía de Distribución Integral Logista, S.A.U., together with the full amount of the credit facility granted to it by Compañía de Distribución Integral Logista, S.A.U. (the maximum drawable amount of which was EUR 77 million).

4. ACCOUNTING PRINCIPLES AND POLICIES AND MEASUREMENT BASES

The principal measurement bases and accounting principles and policies applied in preparing the consolidated financial statements for 2016 in accordance with the IFRSs in force at the date of the related financial statements are described below. None of the standards were applied early.

4.1 Property, plant and equipment

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

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

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

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

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

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

4.2 Investment property

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

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

4.3 Goodwill

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

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

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

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

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

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

The Group has defined as cash-generating units, based on the actual management of the Group's operations, each of the relevant business operations carried out in the main geographical areas (see Note 25).

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

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

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the various markets to calculate the present value of the estimated cash flows ranged from 5.9% to 6.8% in 2016 (see Note 7).

4.4 Intangible assets

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

Intangible assets comprises:

Concessions, rights and licences

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

Also, as a result of allocating the purchase price of Altadis Distribution France, S.A.S. to the identifiable assets and liabilities of that company in 2013, the Group recognised in its consolidated balance sheet the agreements entered into by that subsidiary with the main tobacco producers for the distribution of their products in France. The aforementioned distribution agreements are depreciated on a straight-line basis over 15 years.

Computer software

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

Research and development expenditure

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

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

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

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

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

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

4.6 Leases

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

4.6.1 Operating leases

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

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

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

4.7 Non-current assets held for sale

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

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

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

4.8 Financial instruments

4.8.1 Financial assets

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

Trade and other receivables

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

Other current and non-current financial assets

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

1. Current and non-current loans granted

2. Guarantees

3. Deposits and other financial assets

4. Financial assets classified as "held for sale"

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

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

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

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

Cash and cash equivalents

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

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

4.8.2 Financial liabilities

Bank borrowings

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

Trade payables

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

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

4.9 Inventories

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

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

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

4.10 Current/Non-current classification

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

4.11 Termination benefits

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

The accompanying consolidated balance sheet at 30 September 2016 includes the provisions that the Parent's Directors consider necessary to cover the restructuring plans in progress at year-end (see Note 18).

4.12 Pension and other obligations to employees

Certain Group companies are obliged to supplement the social security retirement, disability or death benefits to employees who have fulfilled certain conditions. In general, the obligations relating to the current and former employees of these groups are defined contribution obligations and are externalised. The annual contributions made by the Group to meet these obligations are recognised under "Staff Costs" in the consolidated income statements and amounted to EUR 2,227 thousand and EUR 2,828 thousand in 2016 and 2015 (see Note 24.b).

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

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

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

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

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

Under these plans, certain employees of companies of the Group of which the Company is Parent have the right to receive a certain number of Company shares, on completion of the third year from the commencement of the each of the three blocks into which the plans are divided, and taking into account the degree of achievement of certain internal criteria, of a financial and operating nature, as well as the total return for the shareholders and comparative profitability with other companies.

On 29 January 2015 the Board of Directors approved the list of beneficiaries of the first block (2014-2017) and corporated management estimated cost of the plans. There were 51 beneficiaries included in the General Plan and 10 in the Special Plan. The estimated amount in this connection is recognised under "Equity" in the consolidated balance sheet and the related annual charge is included under "Staff Costs" in the consolidated income statement. The related amounted to EUR 2,856 thousand.

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

The annual charge for the cost of the two tranches included under "Staff Costs" in the consolidated statement of profit or loss for the period ended 30 September 2016 amounted to EUR 1,772 thousand (2015: EUR 959 thousand relating to the first tranche).

In order to cater for the two tranches of the equity-settled long-term incentive plan, and by virtue of the authorisation granted by the Board of Directors, the Group acquired 275,614 treasury shares for EUR 5,032 thousand (EUR 4,362 thousand in 2016 and EUR 670 thousand in 2015) (see Note 14-f).

On 27 September 2016, the Company's Board of Directors extended the Company's Extended Share Repurchase Programme (for up to 422,314 shares, i.e. 0.32% of the share capital) until 1 October 2017, in order to assign the repurchased shares to the second tranche of the "2014 Long-Term Incentive Plan".

4.13 Provisions

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

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

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

4.14 Foreign currency transactions

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

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

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

4.15 Revenue and expense recognition

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

As a result of the regulations of the main countries in which the Group operates, the Group makes payments to the relevant tax authorities in respect of excise duties on the tobacco products it sells, which are also charged to customers. The Group does not recognise as income or expenses the amounts relating to the aforementioned excise duties, which amounted to approximately EUR 27,463,847 thousand in 2016 and EUR 29,586,310 thousand in 2015.

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

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

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

4.16 Income tax

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

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

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

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

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

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

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

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

4.17 Consolidated statements of cash flows

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

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

4. Financing activities: activities that result in changes in equity and borrowings.

5. EARNINGS PER SHARE

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

Earnings per share are calculated as follows:

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

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

At 30 September 2016 and 2015, there were no dilutive effects on basic earnings per share.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2016 and 2015 were as follows:

Fiscal Year 2016

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

Fiscal Year 2015

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

Additions

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

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

Disposals

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

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

Transfers

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

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

Impairment

No significant impairment losses recognised during 2016 or 2015.

6.2 Other disclosures

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

At the end of 2016 the Group had yet to formalise the acquisition of a land lot in Alcalá de Guadaira (Seville), for which it paid an advance of EUR 4,671 thousand in 2005, which is recognised under "Property, Plant and Equipment in the Course of Construction". This formalisation is dependent upon the municipal authority executing the corresponding land development projects. Compañía de Distribución Integral Logista, S.A.U., directors have commenced actions aimed at ensuring that the municipal authority meets the obligations assumed.

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

At 30 September 2016 and 2015, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR thousand and EUR 67,715 thousand, and EUR 80,598 thousand, respectively.

7. GOODWILL

Breakdown and significant changes

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

	Thousands of Euros	
	30-09-16	**30-09-15**
Italy, tobacco and related products	662,922	662,922
France, tobacco and related products	237,106	237,106
Iberia, transport	18,269	18,269
Iberia, other business: Pharma	486	486
Iberia, tobacco and related products	321	321
	919,104	**919,104**

Italy, tobacco and related products

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

France, tobacco and related products

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

Iberia, transport

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

Goodwill impairment analysis

The assumptions used in testing for impairment were as follows:

Discount and growth rates

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

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

- Risk-free bonds: 10-year bonds in the benchmark market of the CGU.

- Market risk premium: year-.on-year average risk Premium in each country in which the Group is presentet.

- Unleveraged Beta: industry average, on a case-by-case basis.

- Debt/equity ratio: industry average.

Other salient matters

a) Italy, tobacco and related products:

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

b) France, tobacco and related products:

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

c) Iberia, transport:

- Fuel costs

d) Iberia, other business: Pharma

- Regulation of the pharmaceutical industry.

e) Iberia, tobacco and related products:

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

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

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

- Increase of 100 basis points in the discount rate.

- 1% decrease in the growth rate.

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

8. OTHER INTANGIBLE ASSETS

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

Fiscal Year 2016

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

Fiscal Year 2015

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

Additions

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

Transfers

The transfers to "Computer Software" in 2016 and 2015 relate to the reclassification of various items that have been put into operation from the account "Advances and intangible assets in progress" attending to their nature.

Impairment

In 2016 and 2015 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

At 30 September 2016 and 2015, fully amortised intangible assets in use amounted to approximately EUR 124,477 and EUR 119,966 thousand, respectively.

9. FINANCIAL ASSETS

The detail of "Other Non-Current Financial Assets" and "Current Financial Assets" in the accompanying consolidated balance sheets at 30 September 2016 and 2015 is as follows:

Fiscal Year 2016

	Thousands of Euros				
	30-09-2016				
Financial Assets: Nature/Category	**Loans Granted to Third Parties**	**Loans Granted to Related Companies (Note 27)**	**Short-Term Deposits and Guarantees**	**Available-for-Sale Financial Assets**	**Total**
Equity instruments	-	-	-	23,331	23,331
Financial debts	266	-	-	-	266
Other financial assets	-	-	3,585	-	3,585
Non-current	**266**	**-**	**3,585**	**23,331**	**27,182**
Financial debts	30,934	2,007,506	-	-	2,038,440
Other financial assets	-	-	661	-	661
Current	**30,934**	**2,007,506**	**661**	**-**	**2,039,101**
Total	**31,200**	**2,007,506**	**4,246**	**23,331**	**2,047,664**

Fiscal Year 2015

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

Loans granted to third parties

The venturers of "Compañía de Distribución Integral Logista, S.A.U., and GTECH Global Lottery, S.L.U., Unión Temporal de Empresas" granted a loan to this joint venture divided into equal shares which at 30 September 2016 totalled EUR 122,516 thousand, Compañía de Distribución Integral Logista, S.A.U. recognised EUR 30,629 thousand (2015: EUR 30,909 thousand) in this connection, which are presented under "Other Current Financial Assets" and "Other Current Financial Liabilities" in the accompanying consolidated balance sheet at 30 September 2016, for the receivables from and payables to the aforementioned joint venture that correspond to the other venturer (see Note 20).

Credits granted to related parties

As of 12 June 2014, Imperial Brands Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A.U., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a mutual agreement for a five-year credit line (automatically renewable for one year, unless either of the parties sends a notice opposing such renewal at least one year prior to maturity), with a maximum draw down limit of EUR 2,600 million. The purpose of this agreement is to govern the terms and conditions under which Logista will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited for the purpose of optimising its cash flow, and the loans from Imperial Brands Enterprise Finance Limited to Logista in order for the latter to be able to meet its cash needs arising from its operations. In accordance with this agreement, Logista, S.A.U. will lend, on a daily bases, its cash surpluses to Imperial Brands Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations.

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

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

10. INVENTORIES

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

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

The balance of tobacco inventories includes the excise duty chargeable to the tobacco items for the tobacco stock in the Group's warehouses at 30 September 2016, for a total amount of EUR 394,452 thousand (2015: EUR 395,168 thousand).

The write-down in year 2016 and 2015 relates mainly to tobacco inventories that were defective or that cannot be sold at year end, The changes in the write-downs relating to "Inventories" in the accompanying consolidated balance sheet were as follows:

	Thousands of Euros
Accumulated write-down at 30 September 2014	11,804
Period write-downs	3,620
Reversals	(2,061)
Amounts used	(3,778)
Accumulated write-down at 30 September 2015	9,585
Period write-downs	8,708
Reversals	(11,507)
Accumulated write-down at 30 September 2016	**6,786**

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

11. TRADE AND OTHER RECEIVABLES

The detail of "Trade and Other Receivables" in the accompanying consolidated balance sheets at 30 September 2016 and 2015 is as follows:

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

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

	Thousands of Euros
Allowance for doubtful debts at 30 September 2014	57,160
Period write-downs	6,411
Reversals	(2,438)
Amounts used	(645)
Changes in the Scope of Consolidation	(79)
Allowance for doubtful debts at 30 September 2015	60,409
Period write-downs	3,727
Reversals	(6,013)
Amounts used	(1,232)
Changes in the Scope of Consolidation	(1,730)
Allowance for doubtful debts at 30 September 2016	**55,161**

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

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

Trade receivables for sales and services

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

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

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

The detail of the past-due receivables for which no allowance had been recognised at 30 September 2016 and 2015 is as follows:

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

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

12. CASH AND CASH EQUIVALENTS

"Cash and Cash Equivalents" in the consolidated balance sheets at 30 September 2016 and 2015 includes mainly the Group's cash deposited in current accounts at banks.

The average interest rate obtained by the Group on its cash and cash equivalent balances was 0.74% in 2016 (0.80% in 2015).

13. EQUITY

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

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

On 4 June 2014, the sole shareholder approved the share capital increase through a non-monetary contribution of EUR 26,490 thousand, through the issue of 132,450,000 new shares of EUR 0.20 par value each, together with a total share premium of EUR 942,148 thousand. The shares issued were of the same class as the outstanding shares and were fully subscribed and paid by Altadis, S.A.U. through the contribution to the Company of 44,250,000 registered shares representing all of the share capital of Compañía de Distribución Integral Logista, S.A.U (Logista Group Partner Company until that moment). For these purposes, it should be noted that the aforementioned non-monetary contribution was subject to the required assessment by an independent expert appointed by the Mercantile Registry, pursuant to the Spanish Capital Companies Law consolidated text and the Mercantile Registry Regulations.

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

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

At 30 September 2016, all shares of the Parent have the same voting and dividend rights.

Capital Management

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

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

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

14. RESERVES

a) Share premium

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

b) Reserves of the Parent

Legal reserve

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

On 30 September 2016 the Parent's legal reserve has reached the legally required minimum.

Other reserves

The capital increase expenses incurred by the Company in 2014 in the transaction described under "Share capital", which were taken to reserves, amount to EUR 176 thousand, net of the related tax effect. This heading also includes the amounts relating to the Share Plan for 2014, amounted EUR 1,772 thousand in 2016 (2015: EUR 959 thousand) (see Note 4.12).

c) Reorganisation reserve

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

d) Reserve for first-time application of IFRSs

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

e) Dividends

On 16 March 2016, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2015, which included an interim dividend out of the profit for that year, which had previously been approved by the Board of Directors and paid, amounting to EUR 31,860 thousand, together with a final dividend of EUR 66,254 thousand.

On 26 July 2016, the Parent's Board of Directors approved the distribution of an interim dividend of EUR 0.25 per share out of the profit for 2015, totalling EUR 33,119 thousand, which was paid on 29 August 2016.

f) Treasury shares

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

15. RESERVES AT CONSOLIDATED COMPANIES

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

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

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

16. MINORITY INTERESTS

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

	Thousands of Euros			
	2016		**2015**	
Entity	**Minority Interests**	**Income Atributable To Minority Shareholders**	**Minority Interests**	**Income Atributable To Minority Shareholders**
Distribuidora Valenciana de Ediciones, S.A.	360	(46)	412	28
Terzia, S,p,A.	1,390	348	1,042	197
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	49	6	50	6
Transportes Basegar, S.L. (Note 2.7.5)	-	-	-	105
Distribuidora de Publicaciones del Sur, S.L.	174	21	153	30
Otras entities	159	-	158	51
	2,132	**329**	**1,815**	**417**

17. FINANCIAL RISK EXPOSURE

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

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

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

Credit risk

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

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

The Group considers that at 30 September 2016 the level of credit risk exposure of its financial assets is not significant.

Interest rate risk

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

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

Foreign currency risk

The level of exposure of equity and the income statement to the effects of future changes in the foreign currency exchange rates in force is not significant because the volume of the Group's transactions in currencies other than the euro is not material (see Note 26).

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

Liquidity risk

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

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

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

18. PROVISIONS

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

Fiscal Year 2016

	Thousands of Euros					
	Balance at 30-09-15	**Additions**	**Reversions**	**Provisions Used**	**Transfers**	**Balance at 30-09-16**
Customs and excise duty assessments	13,576	360	-	(8,440)	-	5,496
Obligations to employees	15,601	2,137	(65)	(673)	(572)	16,428
Provision for restructuring costs	1,900	758	-	-	(2,650)	8
Provision for contingencies and charges	5,380	1	(11)	-	(889)	4,481
Other	6,554	1,229	(328)	(1,349)	311	6,417
Non-current provisions	**43,011**	**4,485**	**(404)**	**(10,462)**	**(3,800)**	**32,830**
Provision for restructuring costs	10,278	3,409	(1,438)	(6,855)	2,331	7,725
Customer Refunds	2,650	141	-	-	-	2,791
Other	3,867	3,493	(724)	(1,783)	1,769	6,622
Current provisions	**16,795**	**7,043**	**(2,162)**	**(8,638)**	**4,100**	**17,138**

Fiscal Year 2015

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

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

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

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

During 2015, the Company has paid EUR 3,418 thousand related to the customs duty and import VAT 2003, and debited to the related provision accrued for in prior years for this purpose. Also during the same period has received proceedings relating to settlement of customs duty for the year 2012 and 2013 amounting to EUR 3,188 and 9,400 thousand, respectively. The Group, based on the opinion of its external advisors has not accrued it, no provisions were recognised in relation to the former and payment of the latter was recognised as an asset in the accompanying balance sheet at 30 September 2015, since it was considered that the appeals filed would be successful.

Provisions for employee benefit obligations

This line item includes mainly the present value of the obligations assumed by Compañía de Distribución Integral Logista, S.A.U. in relation to long-service bonuses and the “tobacco gift”, as well as the retirement bonus obligations recorded by the subsidiaries of the Group in order to cover the retirement benefits. Of the provision recognised in 2016, EUR 2,137 thousand were recorded with a charge to “Reserves of Consolidated Companies”, since they relate to changes in the actuarial assumptions used to calculate the present value of the total obligation assumed by those companies (EUR 1,124 thousand in 2015).

Provision for restructuring costs

This account includes mainly the estimate of the payments to be made in relation to the restructuring plans that are being implemented at the Group. In 2016 and 2015, provisions were recognised amounting to EUR 4,167 thousand and EUR 8,925 thousand, respectively, and indemnity payments were made amounting to EUR 6,855 thousand and EUR 9,967 thousand, respectively, with a charge to the provisions that were recognised for that purpose.

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

Provisions for contingencies and charges

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

Provisions for customer refunds

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

19. TAX MATTERS

Consolidated Tax Group

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

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

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

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

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

Years open for review by the tax authorities

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

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

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

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

Tax receivables and payables

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

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

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

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

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

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

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

Reconciliation of the accounting profit to the taxable profit

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

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

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

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

- Spain: Spanish Income Tax Law 27/2014 was published on 27 November 2014. This Law introduced certain changes to tax legislation in relation to income tax and came into force on 1 January 2015. As a result, the tax rates applicable in 2016 and 2017 are 28% and 25%, respectively.

- France: the standard tax rate is 34.43%, although temporary certain companies were taxed at 38%.

- Italy: the income tax rate is 27.5% and there is a supplementary business tax which can represent an additional 4.6651%. A reduction in the tax rate from 27.5% to 24.5% applicable for years beginning on or after 1 January 2017 was approved on 31 December 2015.

- Portugal: the income tax rate is 26.5%, and there is an obligation to make pre-payments even if an entity is reporting a loss.

- Poland: the income tax rate is 19%.

The breakdown of the income tax expense is as follows:

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

Changes in deferred tax assets and liabilities

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

Fiscal Year 2016

	Thousands of Euros			
	Balance at 30/09/2015	**Change in profit or loss**	**Others**	**Balance at 30/09/2016**
Deferred tax assets:				
Provision for restructuring costs	6,615	931	(280)	7,266
Goodwill	8,789	(6,006)	(83)	2,700
Impairment losses and other	10,933	(6,781)	(266)	3,886
Provision for third-party liability	3,438	(540)	(244)	2,654
Other deferred tax assets	11,129	(5,081)	(155)	5,893
	40,904	**(17,477)**	**(1,028)**	**22,399**
Deferred tax liabilities:				
Assets contributed by Logista	(732)	83	-	(649)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(82,080)	(1,534)	-	(83,614)
Business combination	(233,832)	19,270	-	(214,562)
Other	(4,362)	(18,149)	(256)	(22,767)
	(328,131)	**(330)**	**(256)**	**(328,717)**

Fiscal Year 2015

	Thousands of Euros			
	Balance at 30/09/2014	Change in profit or loss	Tax rate adjustments	Balance at 30/09/2015
Deferred tax assets:				
Provision for restructuring costs	12,477	(5,331)	(531)	6,615
Goodwill	12,747	(2,785)	(1,173)	8,789
Impairment losses and other	17,143	(4,984)	(1,226)	10,933
Provision for third-party liability	3,064	391	(17)	3,438
Other deferred tax assets	13,531	(1,621)	(781)	11,129
	58,962	**(14,330)**	**(3,728)**	**40,904**
Deferred tax liabilities:				
Assets contributed by Logista	(884)	27	125	(732)
Revaluation of land	(8,550)	-	1,425	(7,125)
Goodwill	(92,540)	(325)	10,785	(82,080)
Business combination	(253,382)	19,550	-	(233,832)
Other	(2,159)	(2,247)	44	(4,362)
	(357,515)	**17,005**	**12,379**	**(328,131)**

Tax credit and tax loss carryforwards

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

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

- Spain: the tax losses not yet offset amount to EUR 4.7 million and were incurred mainly by Distribuidora de Ediciones, S.A.

- Portugal: the tax losses not yet offset amount to EUR 7.4 million and were incurred mainly by Logista Transportes, Transitarios e Pharma, Lda.

- Poland: the tax losses not yet offset amount to EUR 4.6 million.

20. OTHER CURRENT FINANCIAL LIABILITIES

This line item includes mainly the balance at Compañía de Distribución Integral Logista, S.A.U relating to the credit facility granted by it to "Compañía de Distribución Integral Logista, S.A.U. y GTECH Global Lottery, S.L.U., Unión Temporal de Empresas", which amounted to EUR 30,629 thousand at 30 September 2016 (30 September 2015: EUR 30,909 thousand). This amount represents the balance payable by the Group to "Compañía de Distribución Integral Logista, S.A.U and GTECH Global Lottery S.L.U., Unión Temporal de Empresas" as a result of the account payable to the other venturer of the UTE assumed by the Group (see Note 9).

21. TRADE AND OTHER PAYABLES

The detail of "Trade and Other Payables" in the accompanying consolidated balance sheet at 30 September 2016 and 2015 is as follows:

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

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

22. OTHER CURRENT LIABILITIES

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

23. GUARANTEE COMMITMENTS TO THIRD PARTIES

At 30 September 2016, the Group has been provided with bank guarantees totalling EUR 158,520 thousand (30 September 2015: EUR 171,865 thousand) which, in general, secure the fulfilment of certain obligations assumed by the consolidated companies in the performance of their business activities.

Also, the Group has provided guarantees for its ordinary trading operations; in this regard, the Parent's directors consider that any liabilities not foreseen at 30 September 2016 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2016, the Group had taken out insurance policies to cover possible contingencies for transport and storage in factories and representative offices, fire and third-party liability for all its work centres. The insured sum adequately covers the aforementioned assets and risks.

24. INCOME AND EXPENSES

a) Income

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

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

b) Staff costs

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

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

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

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

Fiscal Year 2016

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

Fiscal Year 2015

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/15			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	22	2	-	-	20	2	-	-
Line personnel and clerical staff	1,449	1,144	119	138	1,458	1,142	160	160
Messengers	1,556	592	354	86	1,527	776	379	81
	3,027	1,738	473	224	3,005	1,920	539	241
Total	**4,765**		**697**		**4,925**		**780**	

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

Remuneration of senior executives

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

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

The period contributions to the pension plans for members of the Management Committee for 2016 and 2015 amounted to EUR 36 thousand and 45 thousand, respectively.

c) Other operating expenses

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

Cost of logistics networks

	Thousands of Euros	
	2016	**2015**
Leases	(32,698)	(32,867)
Security and cleaning	(14,558)	(14,950)
Utilities	(16,936)	(17,615)
Other operating expenses (*)	(111,551)	(88,018)
	(175,743)	**(153,450)**

Commercial expenses

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

Head Office costs

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

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

d) Operating leases

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

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

e) Finance income

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

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

f) Finance expenses

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

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

g) Other disclosures

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

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

25. SEGMENT REPORTING

Basis of segmentation

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

Basis and methodology for segment reporting

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

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

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

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

Primary segment reporting

Thousands of Euros				
	Iberia		**Italy**	
	2016	**2015**	**2016**	**2015**
Revenue:				
External sales	2,639,929	2,576,708	2,611,200	2,518,937
Tobacco and related products	2,270,963	2,218,194	2,611,200	2,518,937
Transport	329,911	329,489	-	-
Other businesses	129,906	116,466	-	-
Other adjustments	(90,851)	(87,441)	-	-
Inter-segment sales				
Total revenue	**2,639,929**	**2,576,708**	**2,611,200**	**2,518,937**
Procurements:				
External procurements	(2,133,319)	(2,087,239)	(2,366,308)	(2,288,758)
Inter-segment procurements				
Total procurements	**(2,133,319)**	**(2,087,239)**	**(2,366,308)**	**(2,288,758)**
Gross profit:				
External gross profit	506,610	489,469	244,892	230,179
Tobacco and related products	248,351	245,135	244,892	230,179
Transport	227,286	220,221	-	-
Other businesses	73,592	66,355	-	-
Other and adjustments	(42,619)	(42,242)	-	-
Inter-segment gross profit				
Total gross profit	**506,610**	**489,469**	**244,892**	**230,179**
Profit (Loss):				
Segment result	89,787	91,588	72,150	62,405
Share of results of associates	-	-	-	-
Profit (Loss) from operations	**89,787**	**91,588**	**72,150**	**62,405**

Inter-segment sales are made at prevailing market prices.

France		Corporate and Other		Total Group	
2016	**2015**	**2016**	**2015**	**2016**	**2015**
4,410,789	4,406,866	10,408	10,976	9,672,326	9,513,487
4,207,879	4,193,016	10,408	10,976	9,100,450	8,941,123
-	-	-	-	329,911	329,489
209,277	221,577	-	-	339,183	338,043
(6,367)	(7,727)	-	-	(97,218)	(95,168)
				(40,322)	(42,497)
4,410,789	**4,406,866**	**10,408**	**10,976**	**9,632,004**	**9,470,990**
(4,128,951)	(4,122,716)	-	-	(8,628,578)	(8,498,713)
				34,656	37,793
(4,128,951)	**(4,122,716)**	**-**	**-**	**(8,593,922)**	**(8,460,920)**
281,838	284,150	10,408	10,976	1,043,748	1,014,774
236,335	238,566	10,408	10,976	739,986	724,856
-	-	-	-	227,286	220,221
50,524	51,734	-	-	124,116	118,089
(5,021)	(6,150)	-	-	(47,640)	(48,392)
				(5,666)	(4,704)
281,838	**284,150**	**10,408**	**10,976**	**1,038,082**	**1,010,070**
25,893	17,746	(11,591)	(12,140)	176,241	159,599
-	-	-	-	902	258
25,893	**17,746**	**(11,591)**	**(12,140)**	**177,143**	**159,857**

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

Thousands of Euros				
	Iberia		**Italy**	
	2016	**2015**	**2016**	**2015**
Other disclosures:				
Additions to non-current assets	18,210	19,106	2,351	5,064
Depreciation and amortisation charge	(24,945)	(24,544)	(7,427)	(7,801)
Balance sheet:				
Assets				
Property, plant and equipment, investment properties and non-currents assets held for sale	141,277	140,434	21,911	27,466
Other non-current assets	60,708	79,945	693,593	676,005
Inventories	398,715	390,051	260,508	222,954
Trade receivables	494,956	490,458	344,965	336,389
Other current assets				
Total consolidated assets				
Liabilities				
Non-current liabilities	109,335	97,844	54,029	40,661
Current liabilities	1,427,369	1,371,511	1,710,043	1,681,189
Equity				
Total consolidated liabilities				

	France		Corporate and Other		Total Group	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	4,318	6,488	14	63	24,893	30,721
	(57,786)	(57,383)	(89)	(157)	(90,247)	(89,885)
	45,272	47,780	213	284	208,673	215,964
	818,143	874,284	5	14	1,572,449	1,630,248
	426,606	447,497	-	-	1,085,829	1,060,502
	935,891	928,304	1,350	845	1,777,162	1,755,996
					2,078,704	1,815,323
					6,722,817	**6,478,033**
	221,308	237,786	-	-	384,672	376,291
	2,726,689	2,603,705	539	907	5,864,640	5,657,312
					491,862	444,430
					6,722,817	**6,478,033**

26. FOREIGN CURRENCY TRANSACTIONS

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

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

27. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Fiscal Year 2016

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

Fiscal Year 2015

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receiv-able (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	1,575	26,386	-
Altadis Canarias, S.A.	-	655	6,918	-
Imperial Tobacco Enterprise Finance Limited	1,737,144	-	142	-
Imperial Tobacco International Limited	-	512	18,147	-
Imperial Tobacco España, S.L.U.	6,344	-	-	-
Seita, S.A.S.	-	1,024	82,368	-
Imperial Tobacco Italia, Srl	-	215	24,858	-
Others	-	2,096	3,323	449
	1,743,488	**6,077**	**162,142**	**449**

The accounts payable and accounts receivable stem from balances payable and receivable, respectively, related to commercial transactions, mainly purchases of tobacco and related products, between Logista Group companies and Imperial Brands Group PLC companies.

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

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

The transactions with related companies in 2016 and 2015 were as follows:

Fiscal Year 2016

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

Fiscal Year 2015

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

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

The purchases are included as a result of acquiring tobacco and related products, as well as convenience products related to tobacco. Specifically, the transactions with Altadis, S.A.U., Imperial Tobacco Italy, Srl, Imperial Tobacco International, Ltd, Altadis Canarias, S.A. and Seita, S.A.S. relate to purchases of tobacco and related products from these companies to then be subsequently sold in the markets where the Group operates.

28. REMUNERATION OF DIRECTORS

Remuneration of the Parent's directors

In 2016 the remuneration earned by the members of the Board of Directors as a result of their membership thereof or of any of its executive committees in all connections, including the remuneration received by the members of the Board who in turn are executives, amounted to EUR 3,842 thousand (2015: EUR 3,439 thousand).

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

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

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

Information regarding situations of conflict of interest involving the directors

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

29. DISCLOSURES ON THE PAYMENT PERIODS TO SUPPLIERS, ADDITIONAL PROVISION THREE "DISCLOSURE OBLIGATION" PROVIDED FOR IN LAW 15/2010, OF 5 JULY

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

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

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

	Thousands of Euros
Total payments made	9,359,034
Total payments outstanding	539,616

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

30. ENVIRONMENTAL MATTERS

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

31. EVENTS AFTER THE REPORTING PERIOD

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

32. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

Appendix I

Subsidiaries and jointly controlled entities of the Logista Group

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

Fiscal Year 2016

Company	Audit Firm	Location
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Publicaciones y Libros, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U. (e)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Saturno, 11. Alicante
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
La Mancha 2000, S.A.U. (a)	BDO	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara
Midsid - Sociedade Portuguesa de Distribuiçao, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via in Arcione 98. Roma
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o. (a)	Deloitte	Równinna, Toruń, Polonia
Logesta Deutschland Gmbh (a)	No audit	Pilotystr 4. 80538- München-(Alemania)
Logesta France, s.a.r.l.(d)	No audit	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A. (a)	Deloitte	Vía Valadiez, 37. Roma (Italia)
Terzia, S.p.A. (b)	Deloitte	Vía Valadiez, 37. Roma (Italia)
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Deloitte	Al. Jerozolimskie 133. Warszawa. Polonia
Logista France, S.A.S. (a)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Société Allumetière Française, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes – Francia
Supergroup, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes - Francia

(a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal,
(b) These companies engage in the purchase and sale of consumer products,
(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics,
(d) These companies' object is the performance of transport activities,
(e) This company is specialised in software development for the management of points of sale for publications,
(f) Companies specialising in the distribution of products from pharmacies and related points of sale

% of ownership			Thousands of Euros			
By the Parent Company			Data on the Companies			
Direct	Indirect	Net Book Value	Assets	Liabilities	Equity	Profit/Loss
100	-	969,596	4,340,263	4,076,729	263,534	110,309
-	100	2,420	46,063	43,526	2,537	1,057
-	100	923	2,583	1,919	664	(17)
-	100	530	3,351	3,519	(168)	(566)
-	100	271	2,524	1,194	1,330	101
-	80	64	924	676	248	29
-	50	5	2,824	2,500	324	43
-	100	-	525	545	(20)	(62)
-	100	251	1,207	1,086	121	31
-	50	-	3,403	2,673	730	(91)
-	100	76	64	6	58	(9)
-	100	369	1,681	1,152	529	2
-	100	3,513	10,219	7,358	2,861	557
-	100	1,352	2,303	600	1,703	92
-	100	741	39,529	36,952	2,577	1,521
-	100	1,202	19,616	18,797	819	(359)
-	100	4,510	28,308	26,463	1,845	4,630
-	100	100	10,277	8,818	1,459	1,339
-	100	32	72	19	53	(8)
-	100	128	833	554	279	42
-	100	100	480	20	460	(60)
-	100	50	2,821	1,336	1,485	224
-	100	21,292	97,945	67,777	30,168	14,883
-	100	1,657	6,435	2,309	4,126	1,129
-	100	937	29,982	21,080	8,902	3,049
-	100	3	523	440	83	108
-	100	605,629	1,792,503	1,701,610	90,893	56,747
-	68	166	28,201	26,160	2,041	1,083
-	100	240	10,752	10,415	337	184
-	100	527	1,656	554	1,102	581
-	100	920,161	3,120,394	2,806,342	314,052	77,351
-	100	22,128	125,610	26,456	99,154	5,134
-	100	7,986	36,949	31,747	5,202	(3,494)

Fiscal Year 2015

Company	Audit Firm	Location
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribérica, S.A.U. (a)	No audit	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)
Publicaciones y Libros, S.A.U. (a)	Deloitte	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribuidora del Noroeste, S.L. (a)	BDO	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L. (a)	BDO	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A. (a)	No audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U. (e)	No audit	C/ Electricistas, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid)
Distribuidora del Este, S.A.U. (a)	BDO	Calle Saturno, 11. Alicante
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
La Mancha 2000, S.A.U. (a)	BDO	Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara
Midsid - Sociedade Portuguesa de Distribuiçao, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via in Arcione 98. Roma
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o. (a)	No audit	Flory nr 9, lok 6. kod-00-586 Warszawa--(Polonia)
Logesta Deutschland Gmbh (a)	No audit	Pilotystr 4. 80538- München-(Alemania)
Logesta France, s.a.r.l.(d)	No audit	25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia)
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
T2 Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A. (a)	Conlegio Sindacale	Vía in Arciones, 98. Roma (Italia)
Terzia, S.p.A. (b)	Colegio Sindacale	Vía in Arciones, 98. Roma (Italia)
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	No audit	Al. Jerozolimskie 133. Warszawa. Polonia
Logista France, S.A.S. (a)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Société Allumetière Française, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes – Francia
Supergroup, S.A.S. (b)	Deloitte	2 rue Louis de Broglie, Parc de l'Esplanade77400 Saint-Thibault-des-Vignes - Francia

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(b) These companies engage in the purchase and sale of consumer products,
(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics,
(d) These companies' object is the performance of transport activities,
(e) This company is specialised in software development for the management of points of sale for publications,
(f) Companies specialising in the distribution of products from pharmacies and related points of sale

% of ownership			Thousands of Euros			
By the Parent Company			Data on the Companies			
Direct	Indirect	Net Book Value	Assets	Liabilities	Equity	Profit/Loss
100	-	969,596	4,091,104	3,828,046	263,058	74,799
-	100	2,420	44,438	42,959	1,479	(362)
-	100	923	2,592	1,911	681	(26)
-	50	530	3,534	3,136	398	(754)
-	100	271	4,301	3,072	1,229	81
-	80	64	986	739	247	28
-	50	5	2,876	2,595	281	60
-	100	-	634	592	42	(29)
-	100	251	1,462	1,090	372	27
-	50	-	3,619	2,788	831	56
-	100	76	73	7	66	(7)
-	100	369	1,518	991	527	(8)
-	100	3,513	10,008	7,010	2,998	694
-	100	1,352	2,864	583	2,281	71
-	100	741	35,337	34,281	1,056	214
-	100	1,202	14,379	13,201	1,178	(455)
-	100	4,510	28,940	20,880	8,060	3,296
-	100	100	9,540	7,699	1,841	1,045
-	100	32	79	18	61	(26)
-	100	128	2,635	1,009	1,626	657
-	100	100	870	349	521	204
-	100	50	2,152	892	1,260	30
-	100	21,292	102,051	67,920	34,131	8,963
-	100	1,657	6,056	2,074	3,982	985
-	100	937	28,356	22,415	5,941	377
-	100	3	15	40	(25)	(27)
-	100	605,629	1,766,425	1,682,618	83,807	48,857
-	68	166	11,679	10,721	958	616
-	100	240	7,929	7,776	153	244
-	100	527	1,448	921	527	315
-	100	920,161	17,459	6,482	10,977	-
-	100	22,128	143,935	29,912	114,023	2,741
-	100	7,986	74,256	65,559	8,697	(1,942)

Appendix II

Logista Group Associates

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

Fiscal Year 2016

Company	Audit Firm	Location
Logista Libros, S.L.U (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara

(*) Participada indirectamente a través de Compañía de Distribución Integral Logista, S.A.U.

Fiscal Year 2015

Company	Audit Firm	Location
Dima Distribución Integral, S.L. (*)	Deloitte	Polígono Industrial Los Olivos. C/ Confianza, 1. Getafe. Madrid
Logista Libros, S.L.U (**)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara
Logesta Maroc, S.A. (***)	No auditada	87 Rue Ahmed El .Casablanca (Marruecos)

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

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

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

Activity	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
	Directos	Indirectos		Assets	Liabilities	Equity	Profit/Loss
Distribution and dissemination of publications	-	50	-	40,033	35,263	4,770	1,917

Activity	% of ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
	Directos	Indirectos		Assets	Liabilities	Equity	Profit/Loss
Distribution and dissemination of publications	-	12.56	-	17,628	36,404	(18,776)	(203)
Distribution and dissemination of publications	-	50	-	42,287	39,434	2,853	2,841
Transport	-	34	-	54	-	54	-

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

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

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

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

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

Financial overview

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenues Evolution (By Segment and Activity)

Data in million euros	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015	% Change
Iberia	**2,639.9**	**2,576.7**	**2.5%**
Tobacco & Related	2,270.9	2,218.1	2.4%
Transport Services	329.9	329.5	0.1%
Other Businesses3	129.9	116.5	11.5%
Adjustments	(90.8)	(87.4)	(3.9)%
France	**4,410.8**	**4,406.9**	**0.1%**
Tobacco & Related	4,207.9	4,193.0	0.4%
Other Businesses	209.3	221,6	(5.6)%
Adjustments	(6.4)	(7.7)	17.6%
Italy	**2,611.2**	**2,518.9**	**3.7%**
Tobacco & Related	2,611.2	2,518.9	3.7%
Corporate & Others	**(29.9)**	**(31.5)**	**5.1%**
Total Revenues	**9,632.0**	**9,471.0**	**1.7%**

Economic Sales Evolution (By Segment and Activity)

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

Adjusted EBIT Evolution (By Segment)

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

(*) See Alternative performance measures caption

BUSINESS REVIEW

1. IBERIA: Spain and Portugal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. FRANCE

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

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

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

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

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

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

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

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

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

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

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

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

Profit from Operations reached €25.9 million well above that obtained during fiscal year 2015 (€17.8 million). The main adjustment in the segment is the Amortization of Assets generated from the acquisition of Logista France that was €52.2 million in both periods.

3. ITALY

The macroeconomic situation in Italy remained weak in the fiscal year. The modest growth rates recorded in the first two quarters transformed into stability in the third and fourth quarters in an environment of uncertainty around the situation of the national banking system.

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

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

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

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

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

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

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

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

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

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

4 CORPORATE AND OTHERS

This segment includes corporate expenses and the Polish operations.

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

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

ALTERNATIVE PERFORMANCE MEASURES

Adjusted Operating Profit (or indistinctly Adjusted EBIT) is the principal indicator used by Management to assess the recurring results of operations of the business. This indicator is basically calculated by deducting from the Profit from Operations all those expenses that are not directly linked to the Revenue obtained by the Group during each period, which facilitates the analysis of the evolution of operating expenses and typical margins of the Group. In the following table reconciliation between Profit from Operations and Adjusted Operating Profit for fiscal year 2015 and 2014 is shown:

Data in million euros	1 Oct. 2015 – 30 Sept. 2016	1 Oct. 2014 – 30 Sept. 2015
Profit from Operations	**234.8**	**222.9**
(-) Restructuring Costs	(6.6)	(12.7)
(-) Amortization of Assets Logista France	(52.2)	(52.2)
(-) Net Loss of Disposal and Impairment of Non-Current Assets	0.2	1.7
(-) Share of Results of Companies and Others	0.9	0.2
Adjusted Operating Profit	**177.1**	**159.9**

FINANCIAL RESULT EVOLUTION

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

The interest rate used as a reference in the treasury agreement with our majority shareholder (European Central Bank main rate), over which a 75 b.p. spread is obtained under that agreement, remained stable at 0.05% during the fiscal year 2015 while in the current fiscal year, from 1 October 2015 to 9 March 2016 was stable at 0.05 b.p. but reduced to 0.0% since 10 March.

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

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

NET INCOME EVOLUTION

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

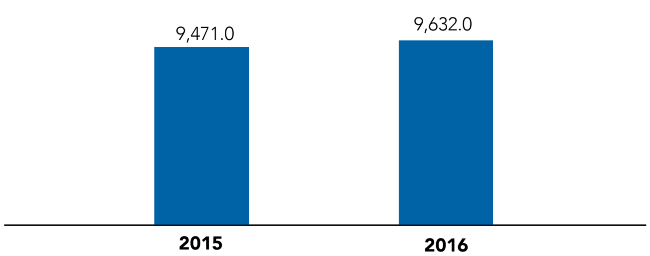
The effective consolidated tax rate of the period was 29.4% vs. close to 34.6% in preceding year due to a large extent to the reduction of the corporate tax rate in Spain approved by the Government in 2014 and the application of certain deductions.

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

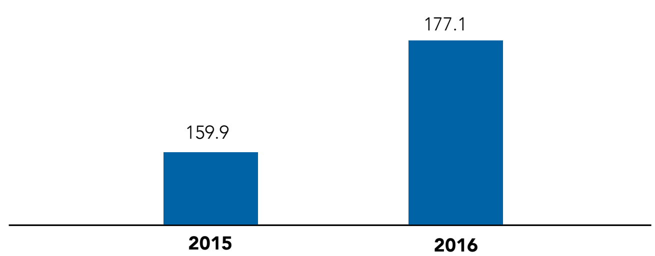
At fiscal year closing, the Company owns 275,614 own shares.

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

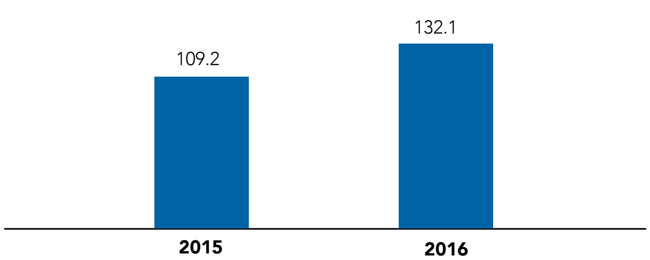
REVENUE M€



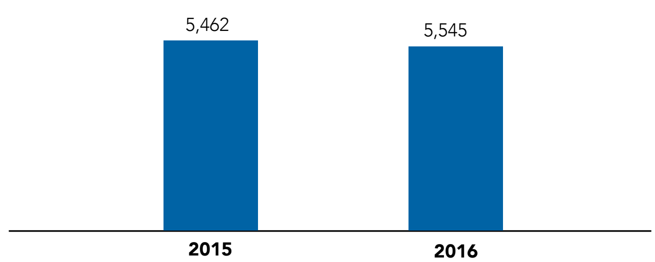
PROFIT FROM OPERATIONS M€



PROFIT FOR THE PERIOD M€



AVERAGE HEADCOUNT



CASH FLOW

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

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

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

DIVIDEND POLICY

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

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

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

OUTLOOK

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

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

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

DEFERMENT OF PAYMENT TO SUPPLIERS

As of the end of fiscal year 2016, the Group held accounts payable deferred in Spain slightly above the legal maximum (30 days) due to the characteristics of some of its agreements with suppliers.

RISK EXPOSURE

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

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

Although in this management report we will focus on the risk management and control systems of financial risks, for a broader description of risk management and control systems of the Group see point E of the Annual corporate governance report. Also, in point F, the Internal Control System for the Group's financial information is described.

The main risks and uncertainties facing the Group are related to possible regulatory changes in the industries in which it operates, the normal operational risks arising in the ordinary course of business, which are insured externally. However, the Group complies with all the requirements to operate in the various markets and industries in which it carries on its business activities, and it has established, through its organisational structure, the appropriate procedures and controls to enable it to identify, prevent and mitigate the risks of change in the regulatory framework and, similarly, to comply with the obligations imposed by the various legislations applicable to it.

Among the main risks, it is important to highlight:

- The Group's Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.

- European Directive 2014/40/UE (3 April 2014), whose transposition period by the respective UE members ended on May 20, 2016, establishes tighter rules for tobacco products, , related among others, to labelling, ingredients, track and trace and cross-border trade could affect the sold volume.

- Liberalization in the main markets where the Group operates as tobacco derived products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.

- Main operational risks may occur are related to theft of tobacco in facilities and during transport associated to increases in insurance premiums, as well as to technological risks associated to the lack of (or faulty) availability of the Information System.

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

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

Safeguarding of assets: the Group's Financial Management has as one of its main objectives to safeguard the Group's assets value in all business units and countries where it operates (Spain, France, Italy, Portugal and Poland, mainly) through the risk analysis and prevention and optimizing the management of the main claims. The financial department analyses the accidental risks which could affect the Logista Group, in its assets and also in its activity, and according to these risks, establishes the external insurance coverage contracts which considers necessary. Related to the high Goodwill, impairment tests are carried out according to International Accounting Standards in the Group.

Credit risk: The main financial assets of the Group are cash and cash equivalents, credits to Group companies, trade receivables and other receivables. In general, the Group deposits its cash and cash equivalents in entities holding a high credit rating. The Group presents as well a exposure to credit or counterparty risk with Imperial Brands by virtue of the subscribed treasury agreements.

The Group controls the insolvency and delinquency risks establishing credit limits and through the establishment of demanding conditions in respect to collection periods; that commercial risk is spread among a high number of clients with short collection periods, being the main Group's clients newsstands and tobacconists. So, the credit risk exposure to third parties is not very significant, and the Group has, always if considered, Insurance Policies to mitigate the impact of possible defaults, although this default rate in all geographies in which the Group operates is very low.

The Group estimates that at 30 September 2016 the level of exposure to credit risk of its financial assets is not significant.

With regard to liquidity risk, the Group maintains enough cash and cash equivalents to face the payments derived from its usual activities. Also, if punctually financing is required, the Group has available credit lines.

Respect the exposure to interest rate risk, considering the low level of the Group's financial debt, the Management of the Parent Company considers the impact from a potential increase in interest rates which could have in the consolidated annual accounts is not significant.

Also, the level of exposure to the net equity and the P&L account in terms of future changes in the current exchange rates is not relevant; due to the volume of transactions of the Group in non-Euro currencies is not significant.

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

- Changes in the payment cycle of the Group can obligate to seek out external financing sources to compliance its obligations: As any wholesale business, the payment cycles of the acquired products to manufacturers and the billing cycles of the points of sale do not match. Along with this, the payment by the Logista Group to Tax Authorities is made in a different cycle to the cycles corresponding to manufacturers and points of sale.

- On the other hand, the possibility of modifications in the tax regulation can impact directly in the results and cash management of the Group (excise duties, Corporate Income Tax, Personal Income Tax).

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

ENVIRONMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

CDP distinguished Logista as “Climate Disclosure Leader 2015” after analyzing the 125 largest companies by market capitalization in Spain and Portugal. Logista also participates as founding member of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth), a non-profit businesses association gathering among others 29 of Spain’s largest companies, aiming at working together to transfer to the society and the Public Administration its vision on the sustainable economic growth model compatible with the efficient use of natural resources.

SIGNIFICANT EVENTS FOR THE GROUP AFTER THE REPORTING PERIOD

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

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group invested in I+D+i €4.7 million in fiscal year 2016. Most of these investments were made to adapt the systems to enlarge the portfolio of services offered to its clients, automate processes and develop own software.

TREASURY SHARES

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

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

USE OF DERIVATIVE FINANCIAL INSTRUMENTS

No Group company uses derivative financial instruments.

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