ANNUAL REPORT 2018

Logista

Annual Report

2018

ISSUER IDENTIFICATION DETAILS

FISCAL YEAR END DATE: 30/09/2018

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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This report contains financial information according to the International Financial Reporting Standards (IFRS) adopted by the European Union. It also contains Alternative Performance Measures, used by Logista's Management to assess the Group's financial and operating performance.

These Alternative Performance Measures are ellaborated and disseminated according to guidelines by the ESMA (European Securities and Markets Authority). Their full explanation and calculation details may be found at the 2018 Management's Report, as well as in the corporate website (www.grupologista.com/en/inversores/informacion/Pages/Medidas-Alternativas-de-Rendimiento.aspx).

Letter from the Chairman

Dear shareholders

I have the honour of presenting Logista's Annual Report 2018, summarizing the Group's economic, business, social and environmental activity during fiscal year 2018.

The company kept growing in both its Economic Sales and its Net Profit during the fiscal year 2018.

Economic Sales rose by 6.5% to 1,118.2m, with growth in all business areas in Spain and Italy, as well as in Other Businesses in France.

Logista, besides continuing growing in Economic Sales, improved its operating margin thanks to its strict control of costs and operating efficiency. The Adjusted Operating Profit rose by 12.4% and the Profit from Operations grew by 20.6% when comparing with the previous fiscal year.

The Net Profit, meanwhile, reached €156.7m, growing by 1.8% even with a comparison base that last fiscal year included the sale of a participated company in Italy.

These results prove the ongoing consolidation of Logista's leadership position as distributor of products and services to proximity retailers in Southern Europe.

They also prove, one further fiscal year, Logista's solid business model and the strength of its profitable growth strategy, always with an unwavering commitment to value creation and its long-term sustainability.

Logista has proposed rising by 6.7%, when compared with the previous fiscal year, the dividend to be indebted to these results and so increase it to €1.12 per share, having already distributed €0.35 per share as interim dividend.

With this dividend, since returning to the stock market in July of 2014, Logista would have paid €3.62 per share. And I would like to underline, additionally, that the dividend distributed each fiscal year has always exceeded that of the previous fiscal year.

Logista so fulfils its firm commitment to making the shareholder direct participant of the success of its business model, through a clear strategy of profitable and sustainable growth.

In this regard, I would like to highlight the company's continuous advances, improving the efficiency in the activity's emissions and achieving new international recognitions for this.

Accordingly, CDP has recognized Logista as "CDP Supplier Leader 2018", it stands out in its prestigious "A-List" as global leading company managing Climate Change and is part of the FTSE4Good index, consisting of companies proving solid environmental, social and corporate governance practices.

Logista has finished a solid fiscal year in all its activities. I invite you to deepen into these progresses through these pages and in the annual reports on Corporate Social Responsibility, Corporate Governance and Remunerations of Directors, available in the corporate website, www.grupologista.com, both in Spanish and English.

I thank everyone being part of Logista for their daily effort, as well as their professionalism and devotion to the client and the Group. I also extend this appreciation to clients and suppliers for the trust they place every day on Logista.

Thank you also, dear shareholders, for your confidence in this company and in this team. We will continue working to keep consolidating Logista as the leading distributor of products and services to proximity retailers in Southern Europe.

Mr. Gregorio Marañón y Bertrán de Lis

Dear shareholders

Logista has reinforced during the fiscal year 2018 its leadership in the distribution of products and services to proximity retailers in Southern Europe.

Economic Sales grew by 6.5% to €1,118.2m, rising in all business areas in Iberia and Italy, as well as in Other Businesses in France. Geographically, the 5.2% growth in Economic Sales in Spain and Portugal and the 20.6% increase in Italy more than offset the 3.4% decline in France.

There was particular growth in the distribution of convenience products in all countries, as well as in the distribution of pharmaceuticals, in the Transport division and in the Tobacco business in Portugal.

Meanwhile, Revenues barely declined by 0.2%, despite the drop experienced by the tobacco area with a 3.6% decline in cigarettes distributed.

Logista, therefore, has continued strengthening its already consolidated businesses, while expanded its business base, reinforcing its growth areas and increasing its relationship and services provided to manufacturers and points of sale throughout Southern Europe.

The Group also maintains its permanent effort for operating efficiency and costs control, that led to improving the operating margin on Economic Sales from 20.8% to 22.0%. As a consequence, the Adjusted Operating Profit rose by 12.4%, while the Profit from Operations grew by 20.6% and reached €190.5m.

The Net Profit rose by 1.8% to €156.7m, despite comparing with a fiscal year when Logista sold a participated company in Italy.

These results continue contributing to the soundness of the company's balance sheet and allow us to keep investing in our competitive advantages.

Last fiscal year we devoted over 45% of the Group's investments to technology and information systems, in particular to provide full physical traceability at product unit level, from manufacturing to the point of sale, which we will culminate this fiscal year.

The Group continues developing its omnichannel strategy, providing the broadest and varied possibilities of commercializing a wide portfolio of products and services through our e-commerce platform, Point-of-Sale Terminals (POS Terminals), service points, call centre and sales force.

Accordingly, we continued extending our network of Strator POS Terminals in Spain and France, which are receiving a very good welcome by points of sale thanks to its superior technology and the benefits they provide for a better management and profitability of their businesses.

Also points of sale in Italy, in a majority, improve their management and profitability through Logista's software, providing them with a higher integration with the company and helping them simplifying their day-to-day.

In short, we provide the best, most advanced and modern platform for commercializing products and services through the networks of points of sale nearest and most present in the life of end consumers in Spain, Portugal, France and Italy, turning us into the leading distributor of products and services to proximity retailers in Southern Europe.

And we do it through an intelligent, efficient and modern distribution network that secures full traceability, even thermal, as well as an omnichannel commercialization specialized according to the point of sale and its end consumer, respectful of the manufacturers' product strategies and helping to improve the sales and profitability of the hundreds of thousands of points of sale to which we distribute tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries, among others.

Logista's professionals are an essential part of this strategy and its efficient execution. That is why I also want to thank them for their professionalism and permanent vocation for service to clients, the core of our business model.

All of us being part of Logista will continue working to keep making possible the success of this business model characterizing Logista.

Mr. Luis Egido Gálvez

Logista, Leading Distributor in Southern Europe

Logista is the leading distributor of products and services to proximity retailers in Southern Europe.

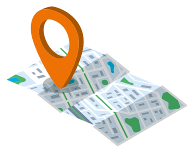
It facilitates the best and fastest route to market of products and services with its specialized, highly added value, intelligent and unique distribution service through a capillary network of points of sale close to the end consumer, becoming the best partner for manufacturers and points sale.

The Logista Group distributes tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries, among others, to some 300,000 points of sale in Spain, France, Italy and Portugal. Logista also distributes tobacco products to wholesalers in Poland.

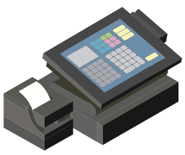
The points of sale Logista distributes to include tobacconists, kiosks, convenience stores, pharmacies, bookstores, etc., accessed daily by some 45 million consumers.

The Logista Group offers the widest omnichannel marketing of products and services adapted to the point of sale and its end consumer through its integrated e-commerce platforms, Point-of-Sale Terminals (POS Terminals), service points, call centre and sales force.

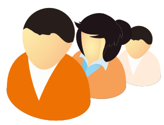
PRESENCE IN
5 COUNTRIES



DISTRIBUTION TO
~300,000
POINTS OF SALE

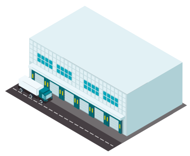


~47,000
POINT-OF-SALE TERMINALS INSTALLED



~45,000,000
DAILY CONSUMERS IN THESE CHANNELS

~50 BILLION €
INVOICED IN PRODUCTS AND SERVICES



OVER 680
CENTRAL AND REGIONAL PLATFORMS AND SERVICE POINTS

~15,000
COLLABORATORS

~5,800
DIRECT EMPLOYEES

*Through its specialized, highly added value and unique distribution service in Southern Europe, **Logista becomes the best partner for manufacturers and points of sale**.*

Unique Business Model

Logista provides an unbeatable platform for commercialising products and services adapted to points of sale and their end consumers, through its unique business model in Southern Europe.

Logista offers manufacturers the best and most adequate access of their products and services to the end consumer, while provides the points of sale with a wide portfolio of products adapted to their clients and an efficient distribution, helping to increase their revenues and profitability.

At that aim, Logista combines specialized distribution and comprehensive logistics services with exclusive added value services and powerful Business Intelligence tools, while guarantees a total geographical coverage in the countries where is present through a vertical and integrated model of distribution, transport and information systems infrastructures.

This vertical model allows Logista to improve the efficiency in operations and the transparency in supply, while it maintains the proximity with the point of sale.

Thus, Logista concentrates its logistics activities in central automated warehouses and approximates to the points of sale through a wide local network of hundreds of service points.

Logista so gains operating efficiency and flexibility to offer a specialized distribution service with full coverage, near and ongoing contact with the points of sale, reinforcing the linkage with the retailer and continuously improving its knowledge and information on markets, as well as the commercialization of products.

THE BEST AND MOST ADEQUATE ACCESS OF PRODUCTS AND SERVICES TO THE END CONSUMER

WIDE PORTFOLIO OF PRODUCTS AND SERVICES ADAPTED TO THE POINT OF SALE

TRANSPARENCY IN SUPPLY

OPERATING EFFICIENCY

PROXIMITY TO THE POINT OF SALE

Logista in 2018

Main economic figures

MILLION EUROS	2018	2017	%
Total Assets	**6,865.2**	**6,542.7**	**+4.9%**
Equity	**510.0**	**500.6**	**+1.9%**
Revenues	**9,476.5**	**9,493.2**	**(0.2)%**
Economic Sales	**1,118.2**	**1,049.7**	**+6.5%**
Iberia	561.4	533.4	+5.2%
France	264.2	273.6	(3.4)%
Italy	290.4	240.9	+20.6%
Corporate and Others	2.2	1.8	+18.4%
Adjusted EBIT	**245.9**	**218.8**	**+12.4%**
Iberia	114.2	104.8	+8.9%
France	65.8	67.8	(3.1)%
Italy	79.5	59.0	+34.7%
Corporate and Others	(13.6)	(12.9)	(5.4)%
Profit from Operations	**190.5**	**158.0**	**+20.6%**
Net Profit	**156.7**	**153.9**	**+1.8%**
Cash Flow	**244.8**	**240.6**	**+1.7%**

Cash Flow: Net Profit + amortization and depreciation

Relevant ratios

	2018	2017	%
ROE (return on equity)	**30.7%**	**30.7%**	**-**
PER (price-earnings ratio)	**18.7**	**17.5**	**+6.9%**
EPS (earnings per share)	**1.18**	**1.16**	**+1.7%**
Dividends (€ per share)	**1.12**	**1.05**	**+6.7%**

ROE: Net Profit / Equity
PER: Share price / Earnings per share
EPS: Net Profit / Number of shares

Stock market performance

	2018	2017	%
Share price (€)	**22.1**	**20.3**	**+8.7%**
Market capitalization (€ million)	**2,936**	**2,701**	

Data at closing of fiscal year

Labour sustainability

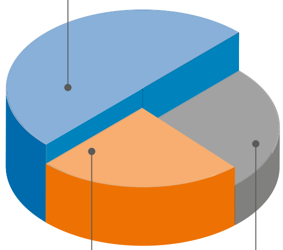
	2018	2017	%
Average staff	**5,802**	**5,600**	**+3.6%**

Environmental sustainability

	2017	2016	%
Total emissions (TmCO₂e)	**232,164**	**225,748**	**+2.8%**
Emissions per € and Km	**1.37**	**1.39**	**(1.4)%**

Fiscal Year 2017 is the latest with data available as of this report's date.

IBERIA 50%

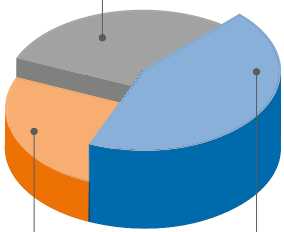


FRANCE 24%

ITALY 26%

ECONOMIC SALES BY GEOGRAPHIES

ITALY 31%



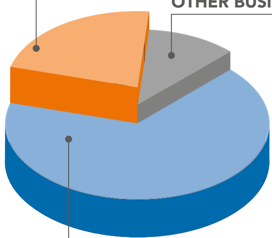
FRANCE 25%

IBERIA 44%

ADJUSTED EBIT BY GEOGRAPHIES

TRANSPORT 22%

OTHER BUSINESSES 11%



TOBACCO AND RELATED PRODUCTS 67%

ECONOMIC SALES BY ACTIVITIES

Relevant data from the Consolidated Profit & Loss Statement

MILLION EUROS	FISCAL YEAR 2018	FISCAL YEAR 2017
Revenues	**9,476.5**	**9,493.2**
Economic Sales	**1,118.2**	**1,049.7**
(-) Distribution operating costs	(726.0)	(685.9)
(-) Sales and marketing operating expenses	(66.8)	(64.8)
(-) Research and G&A operating expenses	(79.5)	(80.2)
Total Operating Costs	**(872.3)**	**(830.9)**
Adjusted EBIT	**245.9**	**218.8**
(-) Restructuring costs	(3.6)	(9.0)
(-) Amort. of assets Logista France	(52.3)	(52.2)
(-) Net loss on disposal and impairments	(0.5)	(0.3)
(+/-) Share of results of companies and others	1.0	0.7
Profit from Operations	**190.5**	**158.0**
(+) Financial income	14.3	31.4
(-) Financial expenses	(1.6)	(1.4)
Profit before Taxes	**203.2**	**188.0**
(-) Corporate income tax	(46.7)	(34.3)
Effective income tax rate	*23.0%*	*18.3%*
(+/-) Other income / (expenses)	0.0	(0.0)
(+/-) Minority interest	0.3	0.3
Net Income	**156.7**	**153.9**

Relevant data from the Consolidated Balance Sheet

MILLION EUROS	30-09-2018	30-09-2017
PP&E and other fixed assets	221.5	206.0
Net long term financial assets	6.8	6.1
Net goodwill	920.8	925.7
Other intangible assets	505.2	547.8
Deferred tax assets	18.6	19.9
Net inventory	1,188.5	1,122.6
Net receivables and others	1,939.3	1,791.0
Cash & cash equivalents	2,064.5	1,923.6
Total Assets	**6,865.2**	**6,542.7**
Group equity	510.0	500.6
Minority interests	1.6	1.9
Non-current liabilities	43.1	41.6
Deferred tax liabilities	279.7	299.0
Short term financial debt	32.9	34.4
Short term provisions	11.6	13.7
Trade and other payables	5,986.3	5,651.5
Total Liabilities	**6,865.2**	**6,542.7**

Value Chain

Logista offers the most extensive value chain in the market, from orders taking and supply to the after-sales service, with a total integration of services and information with manufacturers and points of sale.

Logista integrates within a single supplier all the services making up the supply chain in an efficient and transparent manner, with full control and the most advanced and specialized services in each sector and channel of points of sale in which it operates.

Access to products and services from manufacturers to the end consumer

Logista offers manufacturers and points of sale a specialized distribution service adapted to products, to the point of sale and to its end consumer, with other added value services and powerful Business Intelligence tools.

Integration with points of sale through Point-of-Sale Terminals

Logista also interacts with the point of sale through its POS Terminals network to improve the whole value chain, increasing supply efficiency and transparency up to the end consumer.

Traceability and efficiency in operations

Through its vertical and integrated model of distribution, transport and information system infrastructures, Logista secures efficiency in operations, full control and traceability in real time in the specialized distribution, while offers proximity to the point of sale through its hundreds of service points in the countries where it operates.

1

OMNICHANNEL ORDERS TAKING. PURCHASE OF PRODUCTS

Point-of-Sale (POS) Terminals, Internet, cash&carry, telephone...

Online order processing and follow-up

Safety stock management at the supplier's warehouses

2

STORAGE AND REAL-TIME STOCKS MANAGEMENT

Customized safety stock management

Adaptability to different types of products

Availability of tax and bonded warehouses

Temperature-controlled storage

3

AUTOMATED ORDERS PREPARATION

Consolidation of orders from several suppliers with single delivery

Customized labelling and packaging

Automated classification of shipments

4

TRANSPORT AND DISTRIBUTION

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 monitoring

Multimodal transport (express, parcel, full load…)

5

INVOICING AND COLLECTION

Collections via cash on delivery, credit card, bank transfer, direct debit...

Administrative support

Incidents management

Up-to-date maintenance of applications and price information

Integration of external call centres

6

CUSTOMER AND AFTER-SALES SERVICE

POS Terminals and applications for point of sale management

Service points for point of sale supply and service

Real time information on orders

Incidents and returns management

Exchange of goods

Centralized customer information hotline service

Integration of external call centres

International Presence

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

Logista combines the use of central warehouses, concentrating volumes and automating processes, with a local and near presence to the point of sale through service points where retailers have an additional point of service and access to Logista's products and services.

FRANCE

REVENUES
4,021.6 M€

ECONOMIC SALES
264.2 M€

ADJUSTED EBIT
65.8 M€

Central and regional warehouses	14
Service points	26
Points of sale distributed	~50,000
Employees	1,395

SPAIN AND PORTUGAL

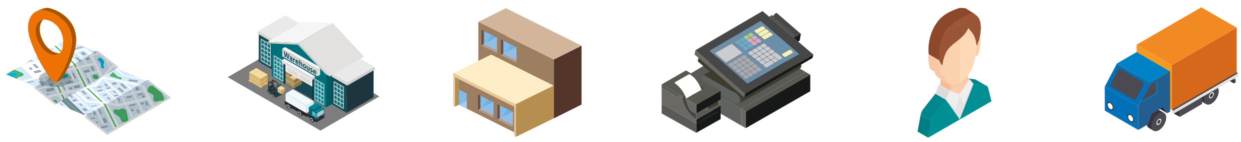
REVENUES
2,812.6 M€

ECONOMIC SALES
561.4 M€

ADJUSTED EBIT
114.2 M€

	Spain
Central and regional warehouses	16
Service points	426
Points of sale distributed	~150,000
Employees	3,440

	Portugal
Central and regional warehouses	1
Service points	47
Points of sale distributed	~15,000
Employees	484



~300,000 POINTS OF SALE

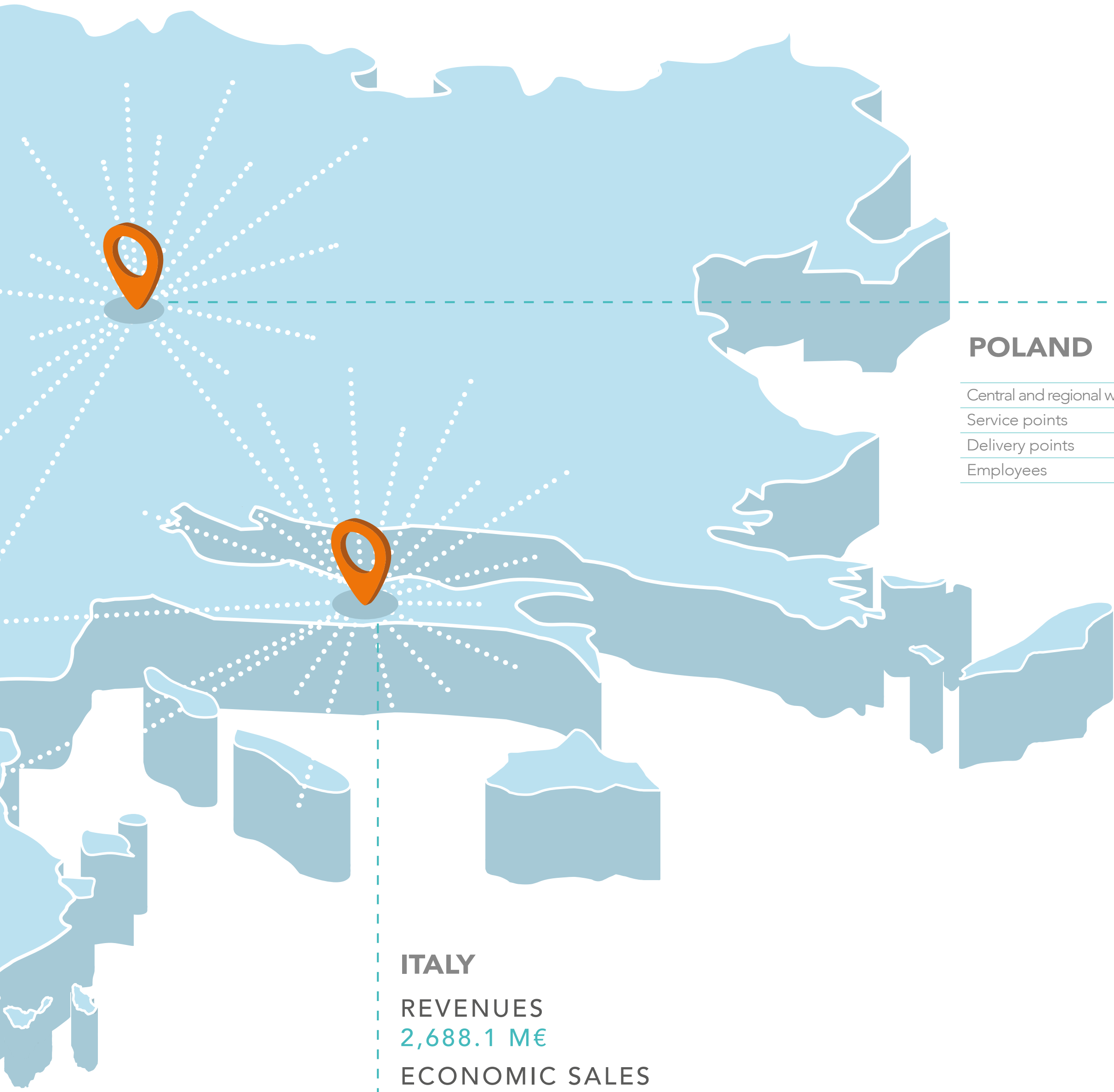
42 CENTRAL AND REGIONAL WAREHOUSES

~640 SERVICE POINTS

~47,000 POS TERMINALS

~15,000 COLLABORATORS

~6,000 VEHICLES MANAGED



POLAND

Central and regional warehouses	1
Service points	3
Delivery points	~600
Employees	77

ITALY

REVENUES
2,688.1 M€

ECONOMIC SALES
290.4 M€

ADJUSTED EBIT
79.5 M€

Central and regional warehouses	10
Service points	145
Points of sale distributed	~60,000
Employees	406

Logista Group's Companies

The ***Logista Group's*** *composition, formed by* ***Compañía de Distribución Integral Logista Holdings, S.A.*** *and its direct and indirect subsidiary companies, is as follows:*

Compañía de Distribución Integral Logista, S.A.U.

- Grupo Dronas (100%)
    - Logista Pharma Canarias (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%)
    - Distribérica (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%)
- Midsid (100%)
    - Jose Costa & Rodrigues (100%)
- Logista Transportes e Transitos (100%)
    - Logesta Lusa (49%)
- Logesta Polska (49%)
- Logista Polska (100%)
- UTE Logista - GTech (50%)

Board of Directors and Committees

Mr. Gregorio Marañón y Bertrán de Lis
CHAIRMAN

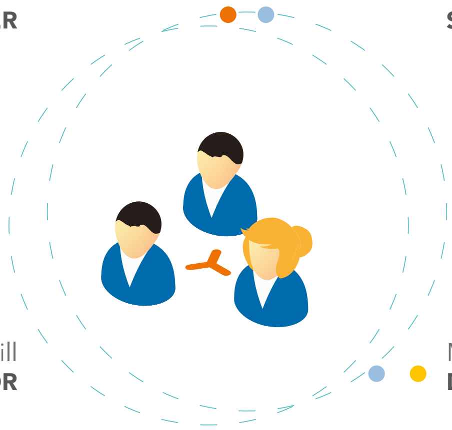
Mr. Luis Egido Gálvez
CHIEF EXECUTIVE OFFICER

Mr. Rafael de Juan López
SECRETARY DIRECTOR

Mr. Jaime Carvajal Hoyos
DIRECTOR

Mr. John Downing
DIRECTOR

Ms. Cristina Garmendia Mendizábal
DIRECTOR



Mr. Richard Guy Hathaway
DIRECTOR

Mr. Richard Charles Hill
DIRECTOR

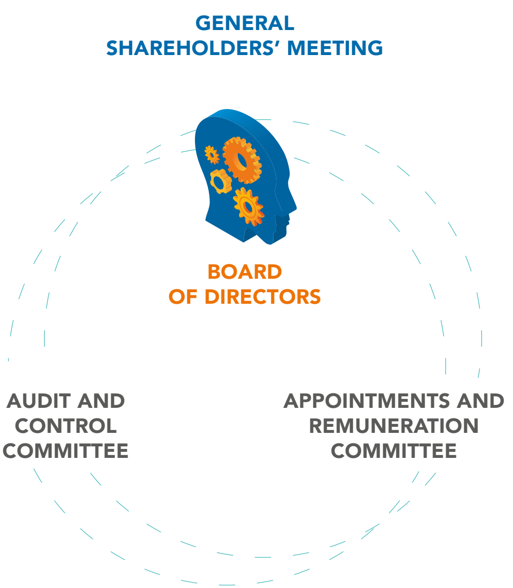
Mr. Alain Minc
DIRECTOR

Mr. Amal Pramanik
DIRECTOR

- Chairwoman of Audit and Control Committee
- Member of Audit and Control Committee
- Chairman of Appointments and Remuneration Committee
- Member of Appointments and Remuneration Committee

In the Annual Report on Corporate Governance 2018, the company's government structure is explained in its C section.

Governance bodies



GENERAL SHAREHOLDERS' MEETING 2018 (FISCAL YEAR 2017)

- 84.66% of capital present or represented
- Proposed resolutions were approved at least by 84.5% of the capital present or represented

BOARD OF DIRECTORS IN FISCAL YEAR 2018

- 10 Directors: 2 executive, 4 proprietary and 4 independent
- 40% independent Directors
- 11 meetings
- Maximum 4 year-term for re-election of Directors

AUDIT AND CONTROL COMMITTEE IN FISCAL YEAR 2018

- 8 meetings
- 2 independent (50%) and 2 proprietary (50%)

APPOINTMENTS AND REMUNERATION COMMITTEE IN FISCAL YEAR 2018

- 9 meetings
- 2 independent (50%) and 2 proprietary (50%)

Spain and Portugal

REVENUES	ECONOMIC SALES	ADJUSTED EBIT
+4.4%	+5.2%	+8.9%
2,812.6 M€	561.4 M€	114.2 M€

Logista is the leader in distribution of tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries, among others, to some 165,000 points of sale in Spain and Portugal.

Tobacco and Related Products

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

The volume of cigarettes distributed in Spain declined by 1.6% during the fiscal year, period in which manufacturers slightly increased the prices within a context of tax stability. Meanwhile, the volume of cigars distributed declined by 2.4% and the volume of RYO rose by 1.8%.

Logista continued increasing its activity in Portugal, with a 14.2% growth in the cigarettes distributed despite the Portuguese market stability, as a result of Logista's distribution network extension.

Manufacturers continue demonstrating their confidence in the Group's advanced services, increasing the additional rendered services.

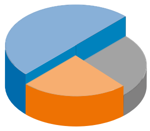
Logista, undisputed leader in Canary Islands, will start distributing Philip Morris Spain's products in these islands since the second half of the current fiscal year.

In addition, Logista keeps progressing to offer full traceability for tobacco products at unit level since May 2019, so contributing to fighting illicit trade and showing its pioneering, innovative and start-of-the-art technologically profile.

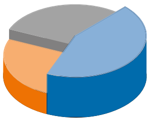
The Group also facilitates the points of sale becoming authentic and modern convenience stores, providing them with a wide offer of products and services adapted to the end consumer, both with its convenience products portfolio and with its own multiproduct platform to commercialize innovative electronic products and services.

LogistaDis, the Group's company specializing in the sale and distribution of convenience products to capillary networks of points of sale in Spain, continues showing the great acceptance of its value proposal by the points of sale.

Its broad portfolio of products and services adapted to the point of sale and its end consumer (products such as smoking items, food including gourmet and refrigerated products, beverages with selection of cellar and alcohol, stationery, leisure, gifts, etc.) helps points of sale to easily improve the sales and profitability of their businesses.



50%
of the Group's
Economic Sales



44%
of the Group's
Adjusted EBIT

3,924
direct
employees

Distribution of tobacco and convenience products, top-ups, pharmaceuticals, books, publications and lotteries, among others

Distribution to tobacconists, pharmacies, convenience stores, bookstores, kiosks, etc.

During the fiscal year, LogistaDis kept growing at double digit, increasing both the points of sale distributed as well as the average order they place with the company.

LogistaDis reaches all tobacconists in Spain and other channels, such as kiosks, convenience stores and petrol stations, among others, and reinforces its linkage through loyalty plans and a portfolio of cross products and services that keep extending the points of sale's commercial offer.

Regarding the commercialization of electronic products and services, Logista managed around 39 million top-ups of telephony, transport, electronic money, etc.

The company included during the fiscal year new brands in the telephony industry, such as MásMóvil, and renewed the contracts with the remaining main operators in the market.

At the same time, the company continues consolidating its leader position in transactional services for public transportation, extending the services to consortiums and transport entities across Spain.

In addition, the capacity and flexibility of Logista's platform, combined with its operating implementing speed, facilitated the growth in the commercialization of financial products and services, such as electronic money and prepaid cards, adding to the implementation of new initiatives like the agreement reached with ING to extend Twyp to tobacconists throughout Spain.

Logista also continues showing operating flexibility with the continued adaptation to market demands by developing new products, growing in the commercialization of digital contents and gift cards of brands such as Google, Google Play, iTunes, Amazon, Sony PlayStation, Nintendo, Xbox, etc.

Logista's contribution to the modernization of points of sale and their progressive conversion in modern convenience stores extends to its offer of Strator POS Terminals, so they may optimize their business' management and profitability.

The services and superior technology of the Strator POS Terminals continued being proven with the growth in their implementation. More than 4,600 points of sale have chosen Strator as the global solution for managing their business.

Consequently, Logista integrates within a single distribution service its POS Terminals installed at points of sale, its e-commerce platform and its service points across Spain, securing proximity to the point of sale.

Thus, the Group offers an omnichannel commercialization of products and services to the widest, most extensive and capillary network of points of sale in Spain and Portugal.

Transport

Logista is one of the leading transport operators through Nacex and Integra2 in the parcel and express courier and controlled temperature capillary transport in Spain and Portugal, as well as in the long distance and full load transport management at European level through Logesta, respectively.

The Transport division maintained, one further fiscal year, solid results and reinforced its leadership in environmental sustainability, in line with the Logista Group's environmental sustainability commitments.

All Group's firms kept renewing their fleets with less-polluting vehicles and freely reporting to clients about the carbon footprint in their shipments and/or trips. Moreover, Integra2 created the industry's first ECO fleet for delivery in the Madrid and Barcelona centres.

Nacex kept its near double digit growth in its activity, more than doubling the industry's growth and reaching 22.6 million deliveries.

The firm continues betting on the technology at the service of its clients, reinforcing its "Smart Delivery" app so clients choose when and where to receive the delivery, improving the traceability of the shipments and increasing the digitalization of the administrative and operating processes to facilitate the management and to improve the network efficiency.

To continue reinforcing the quality and growth of its operations, Nacex opened at the beginning of this fiscal year its new platform at Barberá del Vallés (Barcelona) with more than 4,000m². Also, Nacex finished its new platform at Coslada (Madrid), opened shortly after the fiscal year ended. The platform, with an area exceeding 12,000m², becomes a fundamental hub for the growth in coming years. These improvements extended to smaller platforms with classifiers to improve efficiency.

At the same time, Nacex expanded its Nacex.Shop network of delivery points and reinforced the communication, both with the franchise through the new portal in its intranet, and with the public in general updating its website.

Integra2 maintained its growth and increased by 6% its dispatches, mainly in temperature-controlled shipments, so reinforcing its leadership position in the gourmet and pharmaceutical industries, leaning on its strict compliance of the Good Distribution Practices (GDP) for pharmaceutical products.

The network improved the quality follow-up in the controlled-temperature transport in the entire fleet, by real time monitoring of temperature in long-distance vehicles.

This added to the full reorganization of the refrigerated areas in the Getafe (Madrid) platform and the renewal and extension of the network's premises in Bilbao, Zaragoza, Granada, Albacete, Mérida and Santiago de Compostela.

Logesta grew in sales and activity, reinforcing its European leading position in transportation for the tobacco industry and growing in the pharmaceutical and technological sectors, through the incorporation of new clients, such as Novartis and LG, and the consolidation of its services for other clients, such as Apple and Sony.

The pharmaceutical sector is key for the company's development, so during the fiscal year it carried out a notable investment in equipment, offering the highest standards for transporting pharmaceuticals through multi-temperature units, double deck and real time monitoring of temperature. This investment reinforces its positioning as one of the benchmarks in Europe in transportation for this industry.

Logesta keeps focusing on improving its service and optimizing its operations through technology. In this area, it developed and implemented a customized app, "Logesta in Motion", allowing for full and real time information on each service. According to this, it adapted to the new requirements of current business management systems (quality and environment, Good Distribution Practices of pharmaceuticals for human consumption -GDP-, or food transportation -IFS-…), which are increasingly demanding regarding traceability and proper risks management.

The new app adds improvements of basic features and includes specific ones improving the internal management of operations. It also facilitates a very efficient access to a higher number of vehicles, allowing Logesta to gain dimension, flexibility and response speed.

Other Businesses

Logista is the leader in the specialized distribution of pharmaceuticals, publications and books.

Logista Pharma kept the strong growth enjoyed in recent years, reinforcing its leadership in distribution to hospitals and extending its distribution to pharmacies.

The company increased its services to clients and incorporated new laboratories to its portfolio, standing out that, since October 2017, it began taking full responsibility of distributing Sanofi's products to hospitals, pharmacies, health centres and wholesalers in Spain.

Logista Pharma launched new services to hospitals for automated orders taking through EDI direct telematic connection and OCR tools for manually-made orders. It also increased the dedicated bi-temperature vehicles (2°C-8°C and 15°C-25°C) with real time temperature control and records and implemented a new "Premium" cold boxes system for higher value pharmaceuticals.

In distribution to pharmacies, during the fiscal year it expanded to new laboratories its "Order to Cash" service for billing and collection from pharmacies, while it developed apps and tools to improve the commercialization and market information, as well as to help the pharmacy.

Logista Pharma has implemented new tools to improve the preparation of commercial visits, follow the sales network's activity and productivity, as well as to monitoring and analyzing the sales at pharmacies with high segmentation levels.

Also, Logista Pharma's app facilitates pharmacies with commercial documentation from client laboratories, its "e-learning" tool provides with training courses for pharmacies and their assistants, its training videos improve the knowledge of products and it has implemented regular communications with pharmacies.

This growth in Logista Pharma led to expand the capacity at some Logista Pharma's premises, which already has a network of 9 platforms in Spain and Portugal, with a total area of nearly 100,000m² and capacity for 92,500 pallets, including 5,500 pallets at controlled temperature between 2°C and 8°C.

Logista Publicaciones kept increasing its sales and market share.

Being already the leader in the child segment and in collectibles, it added the incorporation of local distribution for several clients like RBA magazines, the industry's leading publisher, as well as Hola and Semana magazines.

It also reached an agreement for managing 13 WHSmith convenience stores at airports, centralizing the logistics, administration and exclusive commercialization of its promotional space.

The periodical publications publishing industry keeps proving its trust in the Logista Publicaciones' services, quality and know how, ratified by contract renewals with, for example, Motorpress Ibérica and Zinet Media.

Logista Libros reinforced its leadership as independent books distributor in Spain and increased its market share, with growth in the e-commerce activity for Casa del Libro.

In this fiscal year, Logista Libros proved again its pioneering and innovative profile in the industry with its new integrated on demand printing and distribution service in collaboration with Lantia Publishing, ending the concept of out of stock.

Bookstores and points of sale may already order books to Logista Libros, even just one unit, of works out of stock that are produced at the readers' demand.

With this service, publishers may optimize the print runs and bookstores will access books until now out of stock, optimizing the commercial space at their points of sale and providing books with a new life.

Also, Logista Libros has consolidated its new website as communication tool with its clients, raising their satisfaction and reaching the highest quality standards in customer service.

France

REVENUES	ECONOMIC SALES	ADJUSTED EBIT
-5.0%	-3.4%	-3.1%
4,021.6 M€	264.2 M€	65.8 M€

Logista France is the leader in distribution of tobacco and convenience products, top-ups, food and beverages, consumer products, stationery and smoking items to some 50,000 proximity points of sale throughout the country.

Tobacco and Related Products

Logista France is the leading distributor of tobacco and convenience products, documents and top-ups to over 24,000 tobacconists in France.

The volume of cigarettes distributed declined by 8% during the fiscal year, while RYO and cigars distributed volumes fell by 8.6% and by 1.5%, respectively.

These volumes declines were mainly driven by the significant retail price increases by manufacturers, caused by the excise taxes increases in France. In this sense, the French government plans to continue raising the taxes on tobacco till 2020 with the aim of increasing the price of the pack of cigarettes to €10 in that year.

Additionally, the tobacconist commission was increased in January 2018, although manufacturers generally decided not to pass-through this increase to the consumer.

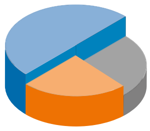
During the fiscal year, Logista France continued reinforcing its leadership and relation with all the players in the industry, both manufacturers and points of sale.

The company continues renewing its distribution contracts with manufacturers, which are also extending their confidence in the company to distribute their next generation products, proving again that Logista France is the main tobacco manufacturers' preferred distributor.

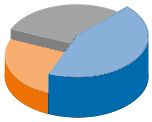
Logista France also extended significantly the implementation of its Strator POS Terminals network, exceeding the 11,500 terminals already installed in some 10,000 points of sale.

The Strator POS Terminals network continues extending thanks to its superior technology and the operating advantages facilitating points of sale they may increase their businesses' sales and profitability, with the access to a broad range of products and services offered by Logista France while enjoying an efficient and easy management of their businesses.

The Strator POS Terminals provide points of sale with the access to the Logista France's portfolio of products and services including, as example, the wide range of products and services of SAF, Logista France's subsidiary for convenience distribution to tobacconists.

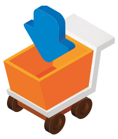


24%
of the Group's
Economic Sales



25%
of the Group's
Adjusted EBIT

1,395
direct
employees



Distribution of tobacco and convenience products, top-ups, food, beverages, gifts and stationery, among others

Distribution to tobacconists, convenience stores, food stores, petrol stations, etc.

SAF offers more than 3,500 references from some 250 suppliers of tobacco-related, consumer products, food, beverages, stationery, electronic cigarettes, as well as a wide range of top-ups products and services.

During the fiscal year, SAF increased the distribution of convenience products, maintaining last fiscal year's strong growth in sales of electronic cigarettes and increasing the sales in beverages, while the sales in tobacco-related, stationery and food declined.

In addition, SAF almost doubled its new "concept stores" shops, showing the commercial potential of the Logista France's products and services offer and contributing to the modernization of the retail network in France.

Likewise, Logista France's omnichannel strategy continued developing after implementing its new CRM tool, modernizing its call centre service and maintaining the momentum of optimization and modernization of its cash and carry network, where tobacconists have a supply, contact and service point, as well as an access to Logista France's full commercial offer.

Logista France also managed over 17 million top-ups, industry in which the increase in top-ups for money-cards did not offset the already traditional declines in the prepaid telephony top-ups.

Other Businesses

Supergroup is Logista France's subsidiary distributing food and beverages, consumer products, stationery and smoking items to over 22,500 points of sale, including petrol stations, food stores or vending machine operators, among others.

Supergroup improved its sales and margins despite the growing competition in prices and the practical consumption stability in the country.

The business has continued to optimize its portfolio of clients and focusing on the retail and petrol stations channels, while has deepened in measures for the optimization of the business's operating structure.

Thus, Supergroup has reorganized and improved the orders preparation processes, redesigned the regional distribution structure and revised the delivery costs in line with the Group's general strategy of efficiency improvement.

Italy

REVENUES
+3.4%
2,688.1 M€

ECONOMIC SALES
+20.6%
290.4 M€

ADJUSTED EBIT
+34.7%
79.5 M€

Logista Italia is the leader in distribution of tobacco and convenience products to over 56,000 tobacconists and convenience stores in Italy.

During the 2018 fiscal year, Logista Italia continued reinforcing its leadership in the industry, thanks to its cutting-edge and efficient distribution services.

The volume of cigarettes distributed slowed down its decline to 2.5%, while RYO tobacco volume distributed accelerated its growth to 19.7% and the volume of cigars distributed rose by 9.2%.

Within a context of some tax stability, manufacturers made some price increases and decreases in particular references during the fiscal year, with an overall effect of certain raise in prices.

During the fiscal year, British American Tobacco renewed for three years its distribution contract with Logista Italia, further expanding it with new services, like international transportation.

Also, Logista Italia keeps extending its services to the distribution of the main international manufacturers' different platforms of next generation products.

Accordingly, Logista Italia keeps increasing its added value services and progressively growing in the distribution of next generation products, consolidating and strengthening its relationship with the industry's main manufacturers.

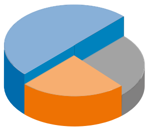
Terzia, Logista Italia's convenience products wholesale subsidiary, kept its double digit growth one further fiscal year, both in Revenues and in Economic Sales.

This significant growth came after both rising its presence at points of sale as well as the average order they place with the company, relying on the broad portfolio of products and services Terzia offers so points of sale may increase their sales and profitability.

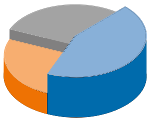
Thus, Terzia kept raising the sales of convenience products of higher value, with particular strong growths in tobacco related products, stationery and food products.

Terzia also continued reinforcing its relationship with points of sale, carrying out loyalty and seasonal campaigns.

Meanwhile, Logista Italia keeps gaining efficiency in its operations by optimizing its distribution network.



26%
of the Group's
Economic Sales



31%
of the Group's
Adjusted EBIT

406
direct
employees

Distribution of tobacco and convenience products, food, stationery, gifts, etc.

Distribution to tobacconists and convenience stores

In line with the Group's vertical model, Logista Italia performs most of the warehousing, stocks management, orders taking, grouping, packaging and dispatching operations at its 10 central and regional warehouses.

This allows for benefitting from volume synergies and constantly go deeply into a higher automation of operations, gaining operating efficiency, control throughout the whole value chain and a better service.

During the fiscal year, Logista Italia incorporated a new premise in Milan and a platform with an area exceeding 40,000m² and capacity for some 55,000 pallets fully entered into operations to service Philip Morris International.

Likewise, Logista Italia's 145 service points secure the proximity to the point of sale and provide an unparalleled network so tobacconists may access the company's whole portfolio, as well as having at their disposal a permanent contact and service point.

In addition, points of sale in Italy benefit from Logista's software, helping them to increase their integration with the company, simplifying their daily management and improving their profitability.

***Terzia**, Logista Italia's convenience products wholesale subsidiary, **kept its double digit growth**, one further fiscal year, **both in Revenues and in Economic Sales**.*

Information Technologies and Infrastructures

The Group has one of the most extensive, specialized and technologically advanced distribution networks in Southern Europe.

The intensive use of the most advanced information technologies and the integration with the Group's infrastructure and transport networks provide full operating control, efficiency and flexibility.

Furthermore, it allows providing cutting-edge and innovating services to manufacturers and points of sale, unifying supply up to the end consumer into a single provider, and so Logista becomes the benchmark distributor to channels of points of sale close to the consumer.

Information Technologies

Logista has kept on leaning on the most advanced information technologies to make progress in its integration with manufacturers and points of sale, and to develop its strategy for omnichannel distribution and knowledge of the end consumer.

The Group has a network consisting of some 47,000 POS Terminals implemented at the different countries and retail channels, including the Strator POS Terminals the Group keeps implementing in France and Spain.

The superior technology and operating advantages continue making Strator the ideal tool to help optimizing the retailer's management and profitability, accessing Logista's broad portfolio of products and services.

Also, points of sale in Italy easily improve their management and profitability with Logista's software and a higher integration with the company.

The points of sale also have the most extensive range of possibilities to interact with Logista, placing orders and accessing its portfolio of products and services thanks to this network of POS Terminals, the e-commerce platform, the call centre and the service points or cash & carries in every country where the Group operates.

During the fiscal year 2018, the Group also started renovating its data centres, a base upon to continue building Logista's omnichannel distribution strategy.

Starting from a flexible design based on security, robustness and agility, the Group will incorporate new hardware and the Group's main SAP systems will migrate to the memory database SAP HANA technology, significantly improving the performance and response times to users.

As a consequence, it will be faster to accessing data, analyzing and predicting, so the Group's different businesses will be able to swiftly respond to market demands and needs.

Meanwhile, Logista has again proved its ability to provide innovative services, leaning on its information technologies integration skills, with its new print on demand and distribution service in collaboration with Lantia Publishing.

Thanks to this service, bookstores and points of sale may place orders with Logista Libros for books out of stock that are produced, even one single unit.

The Group so finishes with the out of stock concept, publishers may optimize its print runs and bookstores may access books that were until now out of stock, satisfying the demands of readers, optimizing its commercial space at their points of sale and giving books a new life.

Infrastructures

Logista concentrates its warehousing, stocks management and orders preparation, packaging and dispatching logistics operations at its 42 central and regional platforms.

This concentration and the high automation through the use of cutting-edge information systems provide a significant operating efficiency and specialization across each industry.

Logista meanwhile approaches points of sale through hundreds of service points in Southern Europe, securing full coverage, as well as permanent proximity, service, availability and communication with the retailer, also boasting a platform for displaying and commercializing products and services.

Logista's Transport division is also integrated within this infrastructure and information systems network, securing full control of transport and distribution with absolute physical and thermal traceability.

According to this, Logista provides an unbeatable platform for commercializing products and services, keeping proximity to the point of sale while improving supply efficiency and transparency.

And everything while being sustainable. CDP included Logista Group for the third consecutive year in its "A List", as one of the global leaders fighting climate change, being the only European distributor achieving this recognition during the last three years.

During the fiscal year 2018, Logista kept developing its project to provide full physical traceability, unit by unit, from manufacturing to the point of sale, which it will culminate during fiscal year 2019.

Logista Pharma has kept extending and improving its logistics capacity, both at its Leganés platform and at the distribution centre it took responsibility for after the agreement reached with Sanofi, according to which it takes full responsibility for distributing all its products in Spain to hospitals, pharmacies, health centres and wholesalers, among others.

Nacex completed its new platform at Coslada, the largest cross docking centre built in Spain during the last decade. Opened just a few weeks after the end of the fiscal year, it is a core platform for Nacex's national distribution, built on a some 14,000m² area, with controlled temperature chamber and pre-chamber, over 110 docks for trailers, vans and vehicles, as well as the latest advances in recording, traceability and security technologies.

In Italy, the Group keeps optimizing and modernizing its infrastructures network. Throughout the fiscal year 2018, Logista Italia incorporated a new platform at Milan and a platform entered in full operation to service Philip Morris International with an area over 40,000m² and capacity for some 55,000 pallets.

*Logista's vertical model maintains the **proximity with the point of sale** while improves the **efficiency and the transparency in supply**.*

Corporate Social Responsibility

The Logista Group integrates ethical, business, social, environmental, economic and transparency and good corporate governance principles and values in its management and in developing its activities in every country where it is present.

These principles and values are embodied in commitments that permeate into every Group's actions, particularly those related to its Good Governance and to its relationships with shareholders and investors, employees, clients and channels, suppliers, the environment and the society in general.

The Logista Group's Policy on CSR also defines the functions and responsibilities of each body involved in CSR management to the highest level of the organization, and provides for a periodical follow-up aimed at the achievement degree of these commitments and the identification of opportunities for the continuous improvement of the CSR management.

The Group's Policy on CSR thus establishes a framework that structures the CSR management in coherence with the corporate and business strategy and objectives, and guides the Group's sustainability initiatives and new social responsibility projects.

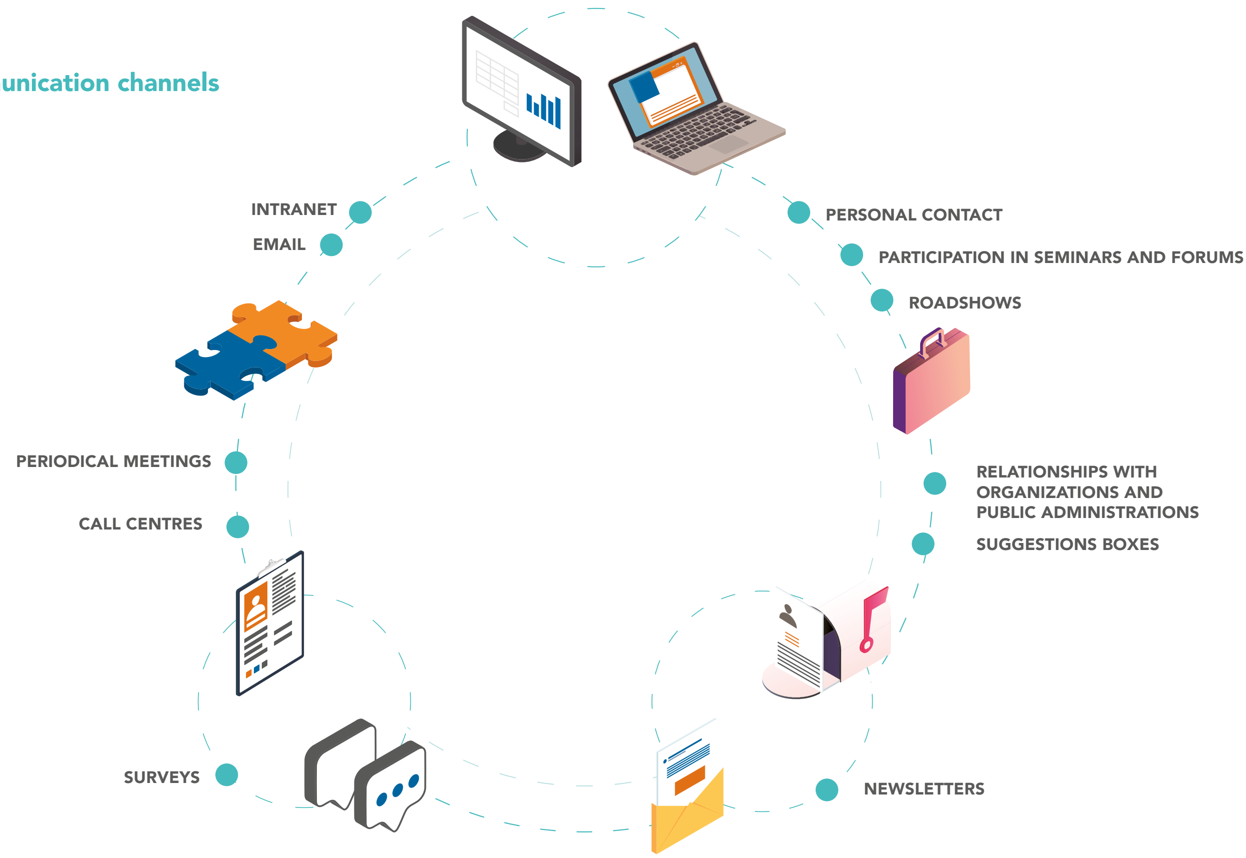
Permanent and fluid dialogue with Stakeholders

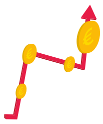
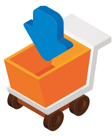
Logista promotes a permanent, fluid and transparent dialogue with all its stakeholders, identifying its employees, shareholders and investors, clients, suppliers and the society in general, with special emphasis in the environment, as its main stakeholders.

Thus, the Group keeps bidirectional communications and dialogue channels with all of them, aiming at taking into consideration their needs and expectations related to financial, environmental or social matters.

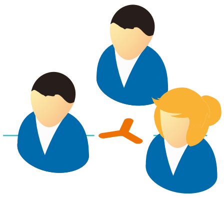
In order to secure a permanent and fluent dialogue, the Logista Group has established specific communication channels adapted to the characteristics of each stakeholder, although it also has communication channels common to all of them, as may be the Company's web site (www.grupologista.com) or the corporate reports annually published.

Communication channels



	OBJECTIVES	COMMITMENTS
 Good Governance	• Short, medium and long-term value generation	• Promoting the best practices • Fostering the transparency and two-way communication • Assuming the Group's fiscal responsibility • Incorporating the principles of the United Nations Global Compact
 Shareholders and Investors	• Long-term sustainable value generation • Permanent dialogue	• Long-term sustainable value generation • Prudent and responsible risks management • Promoting integrity and transparency in the information • Guaranteeing fair treatment to all shareholders
 Employees	• Promoting employment and employees' motivation • Recruitment and development of internal and external talent • Training and ongoing learning • Diversity and equal opportunities • Promoting employees' safety, health and wellbeing	• Promoting employment and motivation of teams • Developing actions designed to recruit talent • Spurring the training and qualification of our employees • The establishment of a policy on remuneration and social benefits which facilitates the engaging of the best professionals • Promoting diversity and equality of opportunities • Regarding the health, safety and wellbeing of the employees as a fundamental value for the Group
 Clients and Channels	• Creation of stable and long-term relationships • Loyalty of relationships	• 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
 Suppliers	• Promoting the compliance with sustainable criteria	• Promoting the optimisation and rationalization of resources • Guaranteeing maximum transparency and preventing the risk of fraud in the contracting process • Promoting the knowledge and application of the Code of Conduct and of the principles upon which the Group's Purchasing Policy is based
 Society and Environment	• Development of quality and environmental good practices • Social initiatives	• To identify, monitor and control the most relevant environmental indicators (control panel) • Collaborating in, participating in, and supporting national and international initiatives for the protection of the environment • Impelling the development of the Energy Efficiency Plan • Promoting the CSR culture

Employees



Logista considers its professionals and collaborators a key factor in achieving its targets and in generating short, medium and long-term value.

During the fiscal year 2018, Logista has defined and set a Human Resources Director Plan for 2018-2020, consisting of 4 elements:

1. "HR Roadmap": Human Resources' priorities based on the Group and each business's objectives.
2. "Balanced Scorecard/BSC": measurement and control of the achievement of targets set in the "HR Roadmap".
3. Excellence Centres: specialised services in recruiting, development, compensation, communication to employees, labour relations and health and safety in the workplace.
4. Shared Services Centres: standardisation and efficiency of processes and systems, as well as Big Data management to identify potential improvements.

Promoting employment: +3% in fiscal year 2018

The Logista Group is committed to job creation and maintenance, promoting a long-term labour relationship with its employees in a working atmosphere with high levels of motivation and satisfaction.

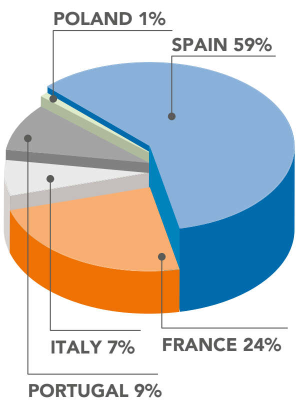
Talent attraction and recruitment

The Logista Group manages talent aimed at short, medium and long-term achievement of targets and value creation.

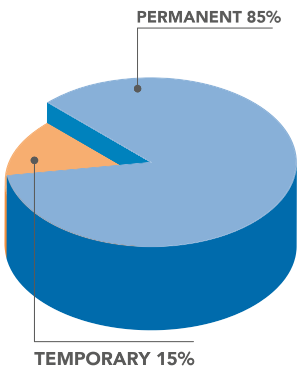
During the fiscal year 2018, the Recruitment Excellence Centre has defined and implemented homogeneous and market competitive policies, processes and tools to attract and recruit the best candidates for the Group.

- Employer branding: The Logista Group is present in the main forums at business schools, universities and job fairs in each country to attract the best talent, while continues boosting the use of social networks to identify and attract the best candidates.
- Optimization of the selection and recruitment processes: like the "Job Posting" internal tool for promoting internal candidates for Group vacancies, tests for internal and external candidates, etc.
- Program for Graduates and Trainees: To develop their career in the Group, junior profiles are offered a program in different businesses for a global overview of the Group and future development.
- On boarding process / Welcome Plans and Integration for new staff, like knowledge sessions to explain the businesses' strategy, targets and key business information, facilitating the incorporation, performance and commitment of attendees.

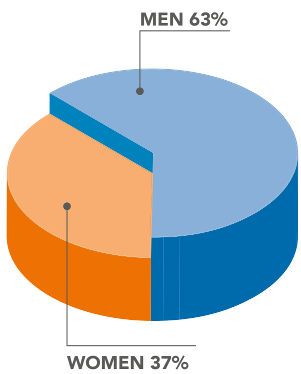
Logista Group's staff



EMPLOYEES BY COUNTRY



EMPLOYEES BY TYPE OF CONTRACT



EMPLOYEES BY GENDER

Development of the Group's staff

Logista promotes its staff's talent management and professional development, with training being one of the most relevant issues.

During fiscal year 2018, the Development Excellence Centre has focused on two main objectives: to continue enhancing every professional's abilities and reinforcing action plans for critical positions in the Group.

Accordingly, during the fiscal year training was defined and implemented in areas such as leadership, sales, project management and technical knowledge. These programs allow for increasing knowledge in such areas, sharing best practices and internal networking for attendees. Specific training and customised programs for each country and business were also implemented.

Compensation and benefits Policy

The main target of Logista's compensation and benefits policy is to implement competitive conditions when compared to the market, both at individual and global levels, aiming at recruiting and keeping the best professionals.

Thus, Logista carries out benchmark and internal equity studies, favouring decision-making and teams management, permanently updating their positions assessment with regards to the market.

Teams motivation

Logista promotes to the maximum communication excellence in order to keep reinforcing motivation and the long-term relationship with employees.

Among the initiatives developed, it is worth underlining the working "Breakfasts" between staff and their business Managers or the "Group Knowledge Sessions". Furthermore, Managers' conventions and meetings in the different businesses continued to be held to promote focusing on the business and "team building" among staff.

Periodical information in the Group's intranet is also fostered, with the Group's most relevant information and main projects and those of each of its businesses.

Safety, health and wellbeing

Logista undertakes employees' safety, health and wellbeing as a Group core value, seeking a safe and healthy working atmosphere.

The Safety, Health and Wellbeing Excellence Centre has been focused on the following basic objectives:

1. To achieve a progressive reduction in the accident rates in the Group's businesses: -4.65% in fiscal year 2018, accidents rate of 2.66.

2. To keep improving work safety conditions and to make work centres increasingly healthy: The Group has kept consolidating its OHSAS 18001:2007 certification, the international standard for an organised management for preventing labour risks.

   In 2018, the OHSAS 18001:2007 certifications of Logista Pharma and Be to Be Pharma, Nacex, Integra2, Logesta and Logista Libros were reviewed in Spain; of Logista Italia and all businesses located in Alcochete (Lisbon) and in Poland. Also, the work centres in Bologna and Crespellano were added to this certification.

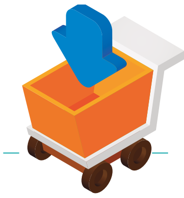
3. To promote a culture of excellence regarding safety, health and well-being of employees: 42% of all work centres and 43% of all Group employees are certified according to this benchmark OHSAS 18001:2007 International Standard.

   Logista proactively manages labour health, safety and wellbeing of its employees through workshops with benchmark occupational health centres, implementing improvements to risk prevention in work centres, and with information and training for employees on possible health risks at their jobs.

Diversity, equality, non-discrimination and ethical behaviour

Both the Group's Corporate Social Responsibility and the Code of Conduct include these principles every employee shares. In order to secure the maximum dissemination and knowledge, they are available on the Group's intranet.

Clients and Channels



Our clients are the core of our business model.

Service excellence and quality

The Logista Group devotes its strongest efforts to continuous improvement aiming at service excellence and optimizing service quality.

The Group integrates sustainability in its goal of maximum service quality, always seeking efficiency in carrying out its operations in adequate social and environmental conditions.

Logista provides manufacturers, laboratories and other operators with a specialized distribution service according to their products, along with other added value services and powerful Business Intelligence tools for the best knowledge of the end consumer, while providing points of sale with a wide portfolio of products adapted to their end clients and an efficient distribution, boosting their revenues and profitability.

Stable and long-term relations

Logista works to establish trusting relationships with its clients and so keeping stable and long lasting bonds with its clients and points of sale benefitting both parties, securing management independence and operating neutrality.

Logista integrates its commitment to quality, sustainability and continuous improvement when carrying out its activities and operations, and has several certificates recognizing it:

MAIN CERTIFICATES	
ISO 9001	Quality Management System in over 300 premises
GDP (GOOD DISTRIBUTION PRACTICES)	Distribution of pharmaceutical products according to European and Spanish regulations
GMP (GOOD MANUFACTURING PRACTICES)	Proper handling, relabelling and repackaging of pharmaceuticals, granted by the Spanish health authorities
AEO (AUTHORIZED ECONOMIC OPERATOR)	Spain's AEAT (State Agency for Tax Administration) recognizes, according to its most demanding Customs Simplification, Security and Safety version, a proper customs control, financial soundness, adequate security and administrative management to ensure a satisfactory tax compliance
TAPA	Recognizes Logesta for following Facility Security Requirements (FSR) and Trucking Security Requirements (TSR) standards designed to ensure security and safe transit and warehousing of assets of any TAPA member worldwide
UNE-EN ISO 14064	Carbon Footprint calculation at Group level
ISO 14001	Environmental Management System

Suppliers

The Logista Group promotes integrating its corporate values throughout its activity's value chain, and so extend a responsible and sustainable management to the whole supply chain.

The process for selecting and contracting suppliers is objective and rigorous. The Group's Purchasing Policy includes its main principles regarding ethics, labour, sustainability, quality and vocation for clients, and is applied to every Group's company and business.

By applying such Policy, the Group seeks to secure maximum transparency in the contracting process, prevent fraud risks in purchasing processes and facilitate solid, mutually respectful and long-time commercial relations.

Purchasing process

The purchasing process is made by formulating Offers Requests, to which as many suppliers are called as possible.

The supplier selection is always taken based on quality regarding technical, economic, environmental and contracting criteria, as well as the supplier's capabilities and references on the good or service to be purchased and its financial status.

Resources optimization

Aiming at optimizing and rationalizing resources, the Corporate Purchasing Direction manages the centralization of those purchases of goods and services relevant for the Group.

In the case of contractings of goods or services that, due to its nature or reduced cost, are not suitable for a centralized management, the purchasing process set through Offers Requests is also applied to so ensure transparency, efficiency and equity in such purchases according to the general principles set forth in the Purchase Policy.

SUPPLIERS´ CALL

- Confidentiality on the Offer Request is requested to suppliers.
- Information to suppliers on technical requirements of the good or service.

OFFERS ANALYSIS

- Timely and formal offers are received.
- Offers are analyzed according to criteria including technical, economic, environmental, contractual, etc.

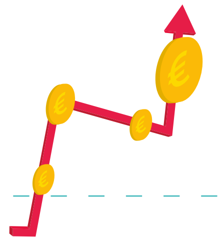
OFFERS HOMOGENIZATION

- Offers are internally presented to the appropriate businesses.
- Suppliers are asked to homogenize offers.

NEGOTIATION AND AWARD

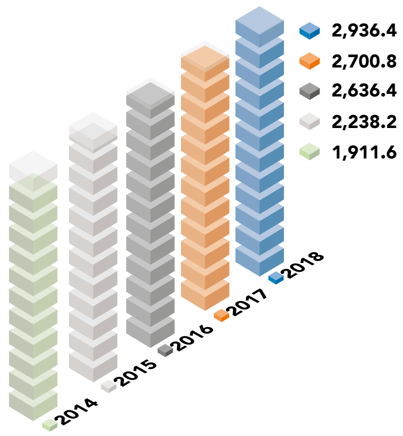
- Offers are negotiated at economic and contractual levels.
- Offer is awarded according to economic, contractual and economic criteria.

Shareholders and Investors

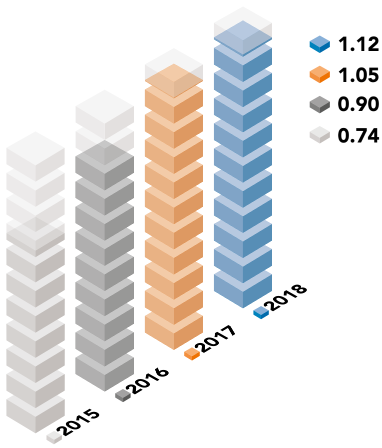


Logista has the objective of creating value for the shareholder. At this end, it prudently and responsibly manages all financial and non-financial risks.

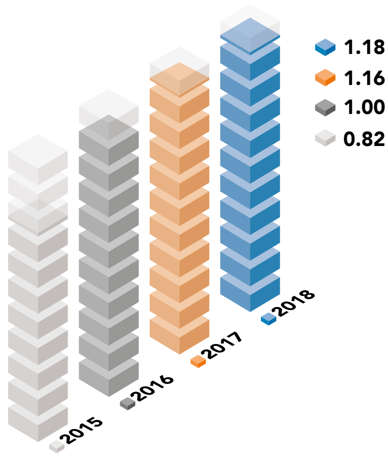
The Group endorses the Good Corporate Governance principles, with particular emphasis on transparency to the shareholders and investors community.



MARKET CAPITALIZATION (€ MILLION)



DIVIDENDS (€ PER SHARE)



EARNINGS PER SHARE (€)

Since its return to the stock market in July 2014, Logista +11.3% annually vs. -3.5% annually of IBEX 35

Pay out of 95% of the Net Profit in 2018 Dividend per share in 2018: €1.12; +6.7%

+1.85% Net Profit in 2018

Logista is part of the IBEX Top Dividendo, IBEX Medium Cap and FTSE4Good indexes.

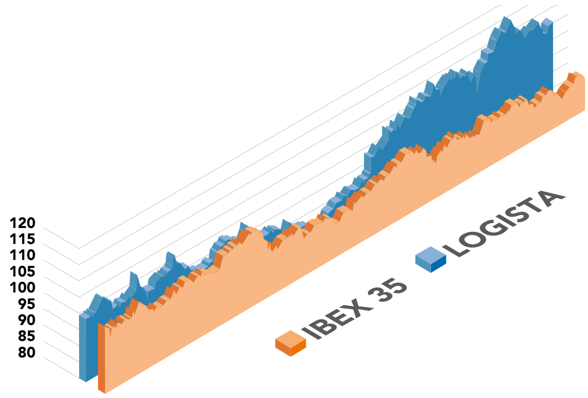
Logista's dividends policy, subject to approval by the General Shareholders Meeting, consists in an annual pay out of, at least, 90% of the annual Consolidated Net Profit.

As of September 30th, 2018, Logista had a share capital, fully subscribed and paid, of €26,550,000, represented by 132,750,000 shares of €0.20 par value each. All shares are of a single class and series and have the same rights.

HISTORICAL DATA	2014*	2015	2016	2017	2018
Market capitalization at the end of fiscal year (€M)	1,911.6	2,238.2	2,636.4	2,700.8	2,936.4
Closing price (€)	14.4	16.9	19.9	20.3	22.1
Maximum price (€)	14.4	20.2	21.6	24.2	23.7
Minimum price (€)	13.0	12.9	16.7	19.2	17.2
Total volume (shares)	24,614,887	60,184,153	40,296,050	35,104,389	65,615,281
Average daily volume (shares)	431,840	236,016	156,186	137,127	258,327
Rotation (% of share capital)	18.5%	45.3%	30.4%	26.4%	49.4%
Revaluation during the fiscal year (%)	10.8%	17.1%	17.8%	2.4%	8.7%

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

During the fiscal year 2018, **Logista's share price increased by 8.7%** compared to a **9.6% decline of the IBEX 35 index**.



LOGISTA'S PERFORMANCE VS. IBEX 35 DURING THE FISCAL YEAR 2018

Investor relations

Logista manages the relationship with investors and shareholders through the Investor Relations and Strategic Analysis department, with a commitment to maximum transparency in information.

The Group's Policy on Information and Communications with shareholders, the securities markets and the public opinion establishes the company's information, communications and contact instruments, and defines the criteria when communicating and contacting shareholders, analysts and large investors.

Logista provides the investors community with relevant information on the company related to its strategy, activities and results through information published in its corporate website, meetings, personal contacts, etc.

Logista also holds a fluent communication with financial analysts, both national and international. During the fiscal year 2018, 13 firms recurrently covered the company.

Prudent and responsible management of risks

Logista's Corporate Risk Management system is included in the Group's General Risk Management Policy. The Group´s risks management methodology is explained exhaustively in the sections E and F of the Annual Report on Corporate Governance 2018.

During the fiscal year 2018, the company has reinforced the intervention and the discussion in the Board of Directors about the Group's Risks matters.

Capital structure

During the fiscal year 2018, the most significant movements in the shareholding structure have been the decrease of the Imperial Brands PLC stake to 50.01%, after a 10% placement of the company's capital on July 31st, 2018; and the increase of the Capital Research and Management Company stake above 5%, also on July 31st, 2018.

Logista promotes the participation of shareholders in the General Shareholders Meeting, the company's sovereign body. Every Logista's shareholder has the right to attending the General Shareholders Meeting, notwithstanding their number of shares owned, on equal and equitable basis.

MOST SIGNIFICANT SHAREHOLDERS	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS	% OVER TOTAL VOTING RIGHTS
Imperial Brands PLC	0	66,385,001	50.01%
Capital Research and Management Company	0	7,088,202	5.34%
Allianz Global Investors GmbH	0	6,605,632	4.98%
BlackRock, Inc	0	6,082,739	4.58%

As of September 30th, 2018, according to the information reported to the CNMV by the shareholders.
At fiscal year end, the Group held 425,496 own-shares (0.32% of the share capital), acquired in execution of the Share Buyback Program.

PARTICIPATION AT THE GENERAL SHAREHOLDERS MEETING	2015	2016	2017	2018
% of capital present or represented	82.96%	90.91%	88.82%	84.66%

Society and Environment

Logista is committed to a sustainable growth, both economic as in social welfare as well as in terms of respect for the environment it operates in. At this end, it develops good environmental practices and participates in social initiatives, mainly at a local level.

Environment

The Logista Group is committed to minimizing the environmental impact of its activities. At this end, it has the Quality and Environment Director Plan and the Quality, Environment and Energy Efficiency Policy that set the guidelines and good practices to optimize the use of resources and prevent pollution in processes, according to strict regulatory compliance and the Group's targets voluntarily subscribed.

The Quality, Environment and Energy Efficiency Policy is available both in the Intranet as well as in the Group's corporate website, so it is known by all stakeholders.

The Group assesses its carbon footprint and promotes reducing it, as one of its initiatives to minimizing the environmental impact of its activity.

During the fiscal year 2017, the latest with data as of this report's date, the Group improved its efficiency ratio by 1.4%, thanks to the ongoing effort in optimizing energy efficiency in its processes and premises, although the increase in activity has involved raising its emissions in absolute terms by 2.8%.

A reputed independent firm verifies the calculation according to the UNE-EN ISO 14064 norm, ratifying the figures, reliability and traceability of the process.

Within Logista Group's commitment to the environment, over 90% of the Group's premises use renewable-produced electricity, including every Group's directly managed centre in Spain, France, Italy and Portugal.

The Logista Group is aware of the importance of efficiently using resources. Thus, it collects and analyses information regarding the consumption of water, waste and the most relevant materials for the Group.

During the fiscal year 2017, the latest with data as of this report's date, the Group significantly cut its activities' waste and emissions by using and recovering reusable cardboard boxes through a system already implemented at Logista's centres in Spain, France, Italy and Portugal, as well as in its Nacex transport network.

The Group also gained efficiency and cut emissions with the ongoing optimization of routes and the renewal of agreements with transport fleets including efficiency criteria.

During the fiscal year 2018, it has carried out a test consisting in implementing devices in trucks for real-time monitoring of consumption, kilometers and efficiency parameters in driving.

Furthermore, the Group promotes that its transport networks, Nacex e Integra2, as well as its subsidiary for long distance transport management, Logesta, increasingly raise the fleet of vehicles running on less polluting fuels.

During the fiscal year, Integra2 added new vehicles running with fuels alternative to those petrol-derived and keeps its commitment to continue adding more of these vehicles to its fleet.

Nacex also promotes the use of sustainable and low emissions transportation among its franchises, it already has the electric vehicle in its fleet and incentivizes the purchase of electric vehicles by its franchises with commercial agreements with car dealers.

Meanwhile, Logesta keeps adding more efficient technology, prioritizing euro VI motorizations and Green Tech technology.

The Group has been included for the third consecutive year in CDP's "A List" as one of the global leaders fighting climate change.

CDP
A LIST
2018
CLIMATE
CHANGE

After assessing data from nearly 7,000 companies worldwide, Logista is one of the 4 Spanish companies and 126 worldwide in the "A List", being the only European distributor achieving this recognition for the third consecutive year.

Logista has been also recognized as "CDP Supplier Leader 2018" for its performance in the "CDP's Supply Chain Program", a program it participates in since 2010.

Logista annually submits information to CDP on the Group's climate change management, both at the corporate and at each businesses' levels. This information is available at CDP's web.

Logista also collaborates with several environmental protection organizations and initiatives.

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

During the fiscal year 2018, the GECV worked on the approval of the future "Ley de Cambio Climático" (Climate Change Act), and so set a stable legal framework with a progressive and long-time energy transition approach.

Logista is part of the FTSE4Good index, created by the global indexes provider FTSE Russell and made up of companies proving solid environmental, social and corporate governance practices.

In addition, the Logista Group develops initiatives for awareness, like the dissemination of actions the Logista Group carries out on these matters and so raise the staff's awareness and commitment, etc.

It also makes available to the public the email address calidadymedioambiente@logista.es to send to the Logista Group any doubt, suggestion or comment related to the Group's quality and environment management.

Social actions

The Logista Group keeps an active commitment to several social initiatives, mainly at a local level.

Logista promotes the participation of all those related to the Group (employees, franchises, delegations, etc.) and collaborates in projects proposed by them for developing its social responsibility.

Humanitarian, welfare and integrating initiatives

The Logista Group has been supporting humanitarian initiatives for years, particularly by donating transport services.

Nacex, Integra2 and Logesta donate their services to collect, transport and deliver food, pharmaceuticals, gifts, books, etc. to parishes, social lunchrooms, hospitals, etc.

During the fiscal year 2018, Integra2 kept collaborating with Food Banks throughout Spain. In addition, it collected and transported 10 tons of food and over 16,000 litres of milk in La Caixa's "Ningún niño sin bigote" (No children without a moustache) campaign.

It also transported food to parishes, social lunchrooms and other centres collaborating with the Olvidados Foundation, and collected plastic caps for the Foundation.

One further year, Nacex was the official courier of the "Ayuda en Acción Christmas cards" and its "Return their childhood" project, and participated in "La Casa de Rembrandt" sale by Nuevo Futuro, which maintains 141 child homes supporting 1,075 children.

Logesta keeps fostering kids in Cambodia, Peru and Guatemala to achieve self-sufficiency of communities in education, culture, food safety, health, infrastructures, production and qualification. Nacex supported World Project's health, education and local development mission in the Zinga Island (Uganda).

The Group keeps supporting research and palliation of diseases by donating transport services and backing several initiatives.

During fiscal year 2018, Nacex cooperated with Cáritas in the Pharmaceutical Bank campaign, in fighting leukaemia as VIP Partner Company of the Josep Carreras Foundation and sponsored the Pink Panther's Women Paddle tournament.

Nacex is also Protecting Member of the Multiple Sclerosis Foundation, while Logista France supported fighting breast cancer and promoted participation of its employees in charity races and initiatives by the Odyssea and Muddy Angel associations.

The San Juan de Dios Hospital and its research on child cancer benefitted from Nacex and its franchises cooperating with the Pulseras Candela Association and the collaboration with the Corresolidaris' Sant Joan Despí charity race.

Regarding research of rare diseases, Nacex supported the campaign by the Spanish Federation of Rare Diseases (FEDER) and delivered over 400 charity packs to associations and collaborating entities for the Rare Diseases World Day.

Integra2 kept collecting and transporting plastic caps for the San Filippo Association.

In a doubly awarded initiative at the at the Social Enterprise Awards, the funds raised at the annual Nacex golf and paddle tennis Challenge for former FC Barcelona and Real Madrid football players were devoted to the Forever Dream and Asdent foundations, for which both Nacex and Logesta also collected and transported caps to research the Dent disease.

Nacex sponsored the paddle tennis tournament at Algeciras for researching dermatomyositis in young people and the III Smile for Life Race for the Sonrisas NGO fighting rare diseases.

In the campaign "Let not lack anything" supporting children at hospitals, Nacex sent over 25,000 gifts to hospitals and child support centres and Integra2 collected, warehoused and transported books. Logesta kept cooperating with the Juegaterapia Foundation supporting hospitalized children with cancer and organized a sale at its offices for the project "El Retiro invade el Niño Jesús".

In addition, Logista France collected almost 1,000 toys, books and teddy bears for "Le secours populaire" and so improving Christmas for children in disadvantaged families. It also collected and transported caps to collaborate with projects by the "Les Bouchons d'Amour" association.

Nacex organized a charity collection and sale of books and acquired books for its employees during the Book Day within the Servicio Solidario Foundation's Recicla Cultura initiative, supporting immigrant people in learning our language.

Promoting sports

The Group keeps supporting sports initiatives, particularly those focused on young people and seeking integration and participation of disabled athletes.

Nacex collaborated with the Pere Suñe Foundation's International Meeting for disabled athletes, Logesta sponsored the "Pep Claramunt" tournament in favour of ADIS (Association of Disabled People in Pucol) and Integra2 supported the V Race for the Disabled and the Dedines Association of forces of law and order, armed forces and emergency services.

Nacex sent Gipuzkoa Basket's uniforms to Bomberos Sin Fronteras (Firemen without Borders) for the Ziguinchor University team in Senegal, and to the Marianao and Merce Fontanilles foundations, which manage homes for underage and people with mental disorders.

Nacex supported sports activities and paddle tennis tournaments by the "Centro Recreativo Cultural de Sordos".

The Group also sponsors several sports clubs, activities and events.

***The Logista Group** maintains an **active commitment to several social initiatives**, mainly at a local level.*

Nacex sponsored the football Andrés Iniesta and Media Base Sports Campus, the UNI Girona basketball team and, together with GLT Sports, the International Training Workout campus.

Integra2 collaborates with the Terrassa Paddle Tennis Club, is the main sponsor of the Nou Esplugues basketball club for children and cooperates with the young rally-racing driver Roberto Blach Jr.

Nacex also sponsored the Nacex J80 sailing team, the paddle tennis Nacex Open, the Barcelona Xpress Paddle Tour by Nacex and is the Main Sponsor of the Paddle Master Barcelona Circuit.

It also sponsored a rallying team, golf competitions throughout Spain and the ESADE Alumni sporting program and its activities in several sports.

Nacex sponsored Trackstour and several races and walk, like the I Popular Triathlon in Sestao, the V Olympic Triathlon in Sestao and the athlete Alejandro Pareja Villar, runner up in the triathlon cross Spain's Cup.

Integra2 collaborated with Bol d'Or's pilot Roberto Ijalba and the Boldor Rioja Classic team of classic motorbikes.

Integra2 also backs several initiatives together with delegations within its network. Thus, it collaborated with the Almería delegation in organizing and promoting the PRO-AM Golf Tournament, which scores in the Spain Championship, with the VII charity Tournament of the Down Syndrome Association in Almería and with the Chess Formative Journeys by the Indalo Chess Club.

Together with the Cáceres delegation, it sponsored the Integra2 Navalmoral Indoor Football boosting all its teams, collaborated with the Vitoria delegation in sponsoring and organizing the Spain Challenge Golf Tournament at Urturi, and with the Vigo and León delegations in their sport actions and sponsoring the II International Sports Forum, respectively.

Culture

Integra2 keeps its www.rutaintegra2.es portal on popular food festivities in Spain, bringing closer the gourmet and food industries.

It also keeps sponsoring Mikel Silvestre, the biker that crossed America travelling 30,000Km to bring light to the history and places of the Spanish explorers in the continent, divulging it through 13 chapters broadcasted by Spanish Television's La 2 channel.

The Group further supports other kind of initiatives, being worth underlining the participation of Logesta's employees in reforesting the Higher Area of the Manzanares River.

Logista promotes the participation of all those related to the Group *(employees, franchises, delegations, etc.) and collaborates in projects proposed by them for developing its social responsibility.*

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

Consolidated Financial Statements for the year ended 30 September 2018 and consolidated Director´s Report together with Independent Auditors' Report

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

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

Independent Auditors' Report on Consolidated Financial Statements

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 30 September 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2018").

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

Basis for Opinion

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

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

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

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Madrid Mercantile Register, volume 13.650, section 8, sheet 188, page M-54414, entry no. 96
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Key Audit Matters

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

Key Audit Matters	How the Matters Were Addressed in the Audit
Recognition of tobacco sales revenue	
Tobacco sales, which represent 94% of the Group's total sales, relate to the goods delivered, net of discounts, VAT, excise duties on tobacco products and other sales-related taxes. Although the recognition of this revenue, under the Group's habitual terms and conditions, is not complex, it does involve the consideration of specific circumstances associated with the various conditions agreed with manufacturers and customers and with the taxes and levies applicable in each jurisdiction. There is an inherent risk associated with the timing of the recognition of this revenue, which depends on the distribution channels involved, the contractual terms and conditions under which the goods are sold, and the impacts that regulatory changes might have on sales (VAT, excise duties, vendor's commissions, etc.). Accordingly, this matter was a key area in our audit.	As a response to this key audit matter, our audit procedures has included, among others, the following: • Checking the design, implementation and operating effectiveness of the relevant controls (including information system controls) supporting the completeness of the sales, as well as the automatic sales invoice accounting and recognition procedure, for which purpose we involved our technology and systems specialists. • Analysing whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis manufacturers and customers. • Evaluating the reasonableness of the sales volumes and margins for 2018 with respect to the trends in previous years, and checking these data against the information furnished by internal Group and external sources. • Performing tests of details on a sample of recognised sales. • Performing combined manual and technology and systems expert-assisted tests in order to obtain and verify the entries recorded in the tobacco sales revenue and trade receivables accounts. No material exceptions or misstatements were observed as a result of our procedures. Notes 4.15, 23.a and 24 to the accompanying consolidated financial statements contain the disclosures and information relating to the Group's tobacco sales revenue.

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Key Audit Matters	How the Matters Were Addressed in the Audit
Deferred tax liabilities and provisions for tax contingencies	
The consolidated balance sheet as at 30 September 2018 includes a balance of EUR 291 million relating to deferred tax liabilities and provisions for tax contingencies associated with the tax assessments issued for excise duties on tobacco products, customs duties and other taxes. The aforementioned amount includes EUR 280 million relating to deferred tax liabilities and EUR 11 million associated with provisions for tax contingencies.	Our audit procedures included, among others, the involvement of our tax experts in the aforementioned area in order to evaluate the reasonableness of the provisions and deferred tax liabilities recognised and of the estimated income tax expense for the year. In addition, we requested (and analysed the related confirmation) that the Group's internal legal advisory department and its tax advisers provide us with a detailed description of the criteria and basis for their conclusions in relation to the proceedings in progress, which served as support for management when defining the classification and amount of the provisions recognised by the Group.
The core activity -the sale of tobacco- is subject to specific tax legislation that is complex due to the various geographical segments in which the Group operates. At the end of 2018 various tax proceedings were in progress which require a significant level of judgement on the part of Group management in order to estimate the probability that the related liabilities will materialise. The Group bases its estimates on the opinion of its external tax advisers.	As a result of our procedures, we consider that, in the context of the Group's consolidated financial statements taken as a whole, the judgements made by management and the disclosures presented in relation to these provisions are consistent with our assessment.
Due to the complexity of the calculations of these taxes and of the tax regulations in force in the various jurisdictions, as well as the significant judgement used by the Group to estimate the aforementioned provisions and the income tax expense, we consider this to be a significant area for our attention.	Notes 18 and 19 to the accompanying consolidated financial statements contain the disclosures and information relating to this area of interest.

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

Other Information: Consolidated Directors' Report

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

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

a) A specific level applicable to the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as defined in article 35.2 b) of Audit Act 22/2015, that consists of verifying solely that the aforementioned information has been provided in the directors´ report or, if appropriate, that the consolidated directors´ report includes the pertinent reference in the manner provided by the legislation and if not, we are required to report that fact.

b) A general level applicable to the rest of the information included in the consolidated directors´ report that consists of evaluating and reporting on the consistency between that information and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements and does not include information different to that obtained as evidence during our audit, as well as evaluating and reporting on whether the content and presentation of that part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

Deloitte.

pwc

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

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

Engagement Period

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

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

Services Provided

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

Deloitte, S.L. (S0692)	PricewaterhouseCoopers Auditores, S.L. (S0242)
José Luis Aller (nº ROAC 17072)	Raúl Llorente Adrián (nº ROAC 20613)

5 November 2018

CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2018 AND 2017

(Thousands of Euros)

ASSETS	Notes	30-09-2018	30-09-2017
NOT-CURRENT ASSETS:		**1,672,921**	**1,705,568**
Property, plant and equipment	6	203,531	187,620
Investment property		17,999	18,374
Goodwill	7	920,800	925,679
Other intangible assets	8	505,210	547,846
Investments in associates		2,118	1,584
Other non-current financial assets	9	4,634	4,521
Deferred tax assets	19	18,629	19,944
CURRENT ASSETS:		**5,192,269**	**4,837,180**
Inventories	10	1,188,543	1,122,622
Trade and other receivables	11	1,846,246	1,747,338
Tax receivables	19	83,533	36,759
Other current financial assets	9	1,910,934	1,821,726
Cash and cash equivalents	12	153,515	101,808
Other current assets		9,485	6,914
NON-CURRENT ASSETS HELD FOR SALE		**13**	**13**
TOTAL ASSETS		**6,865,190**	**6,542,748**

The accompanying 1 to 31 and Appendix I and II are an integral part of the consolidated balance sheet at 30 September 2018.

EQUITY AND LIABILITIES	Notes	30-09-2018	30-09-2017
EQUITY:		**511,608**	**502,433**
Share capital	13	26,550	26,550
Share premium	14	867,808	867,808
Reserves of the Parent	14	25,594	16,706
Reorganisation reserves	14	(753,349)	(753,349)
Reserves at consolidated companies	15	221,370	216,374
Translation differences		35	90
Reserve for first-time application of IFRSs	14	19,950	19,950
Consolidated profit for the period		156,706	153,862
Interim dividend	14	(46,314)	(39,708)
Treasury shares	14	(8,348)	(7,716)
Equity attributable to shareholders of the Parent		**510,002**	**500,567**
Minority interests	16	1,606	1,866
NON-CURRENT LIABILITIES:		**322,750**	**340,534**
Other financial non-current liabilities		4,146	4,880
Long-term provisions	18	38,931	36,686
Deferred tax liabilities	19	279,673	298,968
CURRENT LIABILITIES:		**6,030,832**	**5,699,781**
Other current financial liabilities	20	32,850	34,371
Trade and other payables	21	1,021,403	1,023,707
Tax payables	19	4,897,920	4,564,404
Short-term provisions	18	11,583	13,728
Other current liabilities		67,076	63,571
TOTAL EQUITY AND LIABILITIES		**6,865,190**	**6,542,748**

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of Euros)

	Notes	2018	2017
Revenue	23.a	**9,476,484**	**9,493,241**
Procurements		**(8,358,300)**	**(8,443,546)**
GROSS PROFIT		**1,118,184**	**1,049,695**
Cost of logistics networks:		**(780,590)**	**(744,020)**
Staff cost	23.b	(174,671)	(176,481)
Transport costs		(241,044)	(222,691)
Provincial sales office expenses		(77,339)	(72,610)
Depreciation and amortisation charge	4.2, 6 and 8	(86,193)	(85,210)
Other operating expenses	23.c	(201,343)	(187,028)
Commercial expenses:		**(67,214)**	**(65,902)**
Staff costs	23.b	(44,136)	(44,080)
Other operating expenses	23.c	(23,078)	(21,822)
Research expenses		**(2,071)**	**(2,066)**
Head office expenses:		**(78,344)**	**(80,160)**
Staff costs	23.b	(58,299)	(57,157)
Depreciation and amortisation charge	4.2, 6 and 8	(1,878)	(1,541)
Other operating expenses	23.c	(18,167)	(21,462)
Share of results of companies		1,014	734
Net gain on disposal and impairment of non-current assets	6 and 8	(504)	(258)
Other expenses		–	(24)
PROFIT FROM OPERATIONS		**190,475**	**157,999**
Finance income	23.e	14,275	31,375
Finance costs	23.f	(1,587)	(1,416)
PROFIT BEFORE TAX		**203,163**	**187,958**
Income tax	19	(46,707)	(34,315)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**156,456**	**153,643**
Result for the period from discontinued operations net of tax		–	(42)
PROFIT FOR THE PERIOD		**156,456**	**153,601**
Attributable to:			
Shareholders of the Parent		**156,706**	**153,862**
Minority interests	16	(250)	(261)
BASIC EARNINGS PER SHARE	**5**	**1.18**	**1.16**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated income statements for 2018.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of Euros)

	Notes	2018	2017
PROFIT FOR THE YEAR		**156,456**	**153,601**
Items that will not be reclassified to income statement			
Net actuarial gain (loss) recognised directly in equity	18	234	1,551
Items that may be reclassified to income statement			
Foreign exchange rate changes		(55)	(17)
TOTAL NET GAIN (LOSS) REGISTERED DIRECTLY IN EQUITY		**179**	**1,534**
TOTAL NET GAIN (LOSS) CONSOLIDATED REGISTERED DURING THE YEAR		**156,635**	**155,135**
Attributable to:			
Shareholders of the Parent		**156,885**	**155,396**
Minority interests		(250)	(261)
TOTAL ATTRIBUTABLE		**156,635**	**155,135**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statment of comprehensive income for 2018.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Translation Differences
BALANCE AT 30 SEPTEMBER 2016	**26,550**	**867,808**	**10,828**	**(753,349)**	**223,914**	**107**
Net profit for 2017 attributable to the Parent	–	–	–	–	–	(17)
Loss attributable to minority Interests	–	–	–	–	–	–
Actuarial losses	–	–	–	–	1,551	–
Income and expenses recognised in the period	–	–	–	–	1,551	(17)
Transactions with Shareholders:						
Distribution of profit -						
To reserves	–	–	3,671	–	9,272	–
To dividends	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
On treasury shares operations	–	–	–	–	–	–
Incentive Plan (Note 4.12)	–	–	2,207	–	–	–
Others	–	–	–	–	(18,363)	–
BALANCE AT 30 SEPTEMBER 2017	**26,550**	**867,808**	**16,706**	**(753,349)**	**216,374**	**90**
Net profit for 2018 attributable to the Parent	–	–	–	–	–	(55)
Loss attributable ro minority interests	–	–	–	–	–	–
Actuarial losses	–	–	–	–	234	–
Income and expenses recognised in the period	–	–	–	–	234	(55)
Transactions with Shareholders:						
Distribution of profit -						
To reserves	–	–	10,142	–	4,762	–
To dividends	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
On treasury shares operations (Notes 14.b and 14.f)	–	–	(4,092)	–	–	–
Incentive Plan (Note 4.12)	–	–	2,838	–	–	–
Others	–	–	–	–	–	–
BALANCE AT 30 SEPTEMBER 2018	**26,550**	**867,808**	**25,594**	**(753,349)**	**221,370**	**35**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2018.

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	**132,079**	**(33,119)**	**(5,032)**	**489,736**	**2,132**	**491,868**
–	153,862	–	–	153,845	–	153,845
–	–	–	–	–	(261)	(261)
–	–	–	–	1,551	–	1,551
–	153,862	–	–	155,396	(261)	155,135
–	(12,943)	–	–	–	–	–
–	(119,136)	33,119	–	(86,017)	–	(86,017)
–	–	(39,708)	–	(39,708)	–	(39,708)
–	–	–	(2,684)	(2,684)	–	(2,684)
–	–	–	–	2,207	–	2,207
–	–	–	–	(18,363)	(5)	(18,368)
19,950	**153,862**	**(39,708)**	**(7,716)**	**500,567**	**1,866**	**502,433**
–	156,706	–	–	156,651	–	156,651
–	–	–	–	–	(250)	(250)
–	–	–	–	234	–	234
–	156,706	–	–	156,885	(250)	156,635
–	(14,904)	–	–	–	–	–
–	(138,958)	39,708	–	(99,250)	–	(99,250)
–	–	(46,314)	–	(46,314)	–	(46,314)
–	–	–	(632)	(4,724)	–	(4,724)
–	–	–	–	2,838	–	2,838
–	–	–	–	–	(10)	(10)
19,950	**156,706**	**(46,314)**	**(8,348)**	**510,002**	**1,606**	**511,608**

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2018 AND 2017

(Thousands of Euros)

	Notes	2018	2017
OPERATING ACTIVITIES:		**347,539**	**4,236**
Consolidated profit before tax from continuing operations		**203,163**	**187,958**
Adjustments for–		**92,117**	**64,373**
Result of companies accounted for using the equity method		(1,014)	(734)
Depreciation and amortisation charge	6 and 8	88,184	86,751
Change in provisions		–	338
Provisions recognised/(reversed)		14,368	8,058
Proceeds form disposal of non-current assets	6 and 8	504	(81)
Other adjustments		2,763	–
Financial profit		(12,688)	(29,959)
Net change In assets / liabilities-		**52,259**	**(248,095)**
(Increase)/Decrease in inventories		(68,720)	(35,705)
(Increase)/Decrease in trade and other receivables		(103,942)	48,341
Increase/(Decrease) in trade payables		(2,309)	133,791
Increase/(Decrease) In other current liabilities		312,779	(305,580)
Increase/(Decrease) in other non-current liabilities		(1,702)	8,638
Income tax paid		(96,535)	(109,176)
Finance income and costs		12,688	11,596
INVESTING ACTIVITIES:		**(145,952)**	**202,089**
Payment for investment–		**(146,794)**	**(39,072)**
Property, plant and equipment	6	(44,023)	(21,613)
Intangible assets	8	(12,107)	(7,343)
Group companies and associates		(90,010)	(10,116)
Other current financial assets		(654)	–
Proceeds from financial divestments–		**842**	**241,161**
Property, plant and equipment	6	788	706
Intangible assets		54	30
Other financial assets		–	217,758
Non current assets held for sale		–	22,667
FINANCING ACTIVITIES		**(149,880)**	**(128,142)**
Payment of dividends and remuneration of other equity instruments–		**(145,564)**	**(125,725)**
Dividends	14	(145,564)	(125,725)
Proceeds and payments of equity instruments–		**(3,366)**	**(3,161)**
Acquisition of treasury shares	14	(3,366)	(3,161)
Proceeds and payments for financial liability instruments–		**(950)**	**744**
Repayment and amortization of–			
Current borrowings		(950)	744
NET INCREASE / DECREASE IN CASH AND CASH EQUVALENTS		**51,707**	**78,183**
Cash and cash equivalents at beginning of year–		**101,808**	**23,625**
Net change in cash an cash equivalents during the year		51,707	78,183
Total cash and cash equivalents at end of year		**153,515**	**101,808**

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated cash flow statement for 2018.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

The reporting period of most of the Group companies starts on 1 October of each year and ends on 30 September of the following year. The twelve-month period ended 30 September 2017 will hereinafter be referred to as "2017", the period ended 30 September 2018 as "2018", and so on.

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 2018 and 2017 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 2017 were formally prepared by its Directors at the Board of Directors meeting held on 7 November 2017.

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 2018. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 30 October 2018. 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 2017 were formally approved by the General Shareholders' Meeting on 21 March 2018.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2018 are summarised in Note 4.

2.2. Standards and interpretations effective in the current period

In the year ended 30 September 2018 the following standards, amendments to standards and interpretations came into force:

Amendments to Standards	Content	Obligatory Application in Annual Reporting Periods Beginning On or After
Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	Refer to the deferred tax assets arising from available-for-sale debt instruments with a fair value below cost.	1 January 2017
Amendments to IAS 7, Disclosure Initiative (issued on 29 January 2016)	Reconciliation of changes in liabilities in the balance sheet to the cash flows from financing activities.	1 January 2017
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on December 2016)	Minor changes to a series of standards.	1 January 2017

These modifications haven't had any impact in the Group's 2018 annual accounts.

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:

New Standards, Amendments to Standards and Interpretations	Content	Obligatory Application in Annual Reporting Periods Beginning On or After
IFRS 9, Financial Instruments. Hedge classification, measurement and accounting (last phase issued in July 2014)	Financial Instruments: Replaces the IAS 39 requirements relating to the classification, measurement and derecognition of financial assets and liabilities and hedge accounting.	1 January 2018
IFRS 15 – Revenue from Contracts with Customers (published in May 2014)	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	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)	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
Amendments to IFRS 9, Prepayment Features with Negative Compensation (issued in October 2017)	These amendments will permit measurement at amortised cost of certain financial assets which may be put back to the issuer before maturity for an amount lower than the unpaid amounts of principal and interest on the principal amount outstanding.	1 January 2019
IFRIC 23, Uncertainty Over Income Tax Treatments (issued in June 2017) (a)	This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity.	1 January 2019
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures (issued in October 2017) (a)	Clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied.	1 January 2019
Improvements to IFRSs, 2015-2017 cycle (issued in December 2017)	Amendments to a series of standards.	1 January 2019
Amendments to IAS 19, Plan Amendments, Curtailments and Settlements (issued in February 2018)	Clarify how to calculate the current service cost and net interest for the remainder of the reporting period when there is an amendment, curtailment or settlement of a defined benefit plan.	1 January 2019
IFRS 17, Insurance Contracts (issued in May 2017) (a)	IFRS 17 supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that insurance contracts have on the financial statements.	1 January 2021

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

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

IFRS 9 – Financial Instruments

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

The Group, on assessing the impact of applying this standard, concluded that its entry into force will not have a material effect on the consolidated financial statements, since the investments in financial assets are mainly current investments at banks with maximum credit ratings or, in other cases, at related entities with a stable solvency rating. In relation to the credit risk represented by trade receivables, the application of the new standard does not require a significant increase in the impairment losses recognised, since they are mainly current receivables with very low default rates and very short collection periods. This assessment is based on the information currently available and may be subject to changes as a result of new information becoming available when the Group adopts IFRS 9.

As regards its transition strategy, Group management intends to apply IFRS 9 in full from 1 October 2018 onwards without adjusting comparative period information.

IFRS 15 – Revenue from Contracts with Customers

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

Group management analysed the impacts of this standard for each of the businesses and countries, identifying the related items and nature of the transfers of goods and services in each of the cases. The main conclusions are as follows:

- No lines of business were identified that would require the current revenue recognition criteria to be significantly amended.

- The presentation of the assets and liabilities in the consolidated income statements does not entail any significant changes to current presentation practices.

- No significant contracts with distinct performance obligations in force were identified at the date of application of the new standard that may present differences in treatment with respect to the criteria that the Group has been applying.

In consideration of these matters, even though the Group is currently completing the process of analysing the impact of applying this standard, it has concluded that its entry into force will not have a material effect on the consolidated financial statements, although IFRS 15 will require that more extensive disclosures be provided in relation to the Group's revenue-producing transactions.

As regards its transition strategy, the Group intends to apply IFRS 15 retrospectively, without adjusting the comparative information, from 1 October 2018 onwards.

IFRS 16, Leases

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

The Group is in the process of assessing the impact of the application of this standard. The Group does not intend to apply this standard early and, at the date of these consolidated financial statements, no decision had yet been made as to the option that will be applied at the date of transition.

2.4. Information relating to 2017

As required by IAS 1, the information relating to 2017 contained in these notes to the consolidated financial statements is presented with the information relating to 2018 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2017.

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 2018, estimates were made by the Group's directors in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

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

Although these estimates were made on the basis of the best information available at 2018 year end, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

2.7. Basis of consolidation

2.7.1. Subsidiaries

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

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

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

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

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

2.7.2. Joint ventures and joint operations

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

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

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

2.7.3. Associates

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

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

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

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

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

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

2.7.4. Translation of foreign currency

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

- Assets and liabilities were translated to euros at the official year-end exchange rates.

- Share capital and reserves were translated to euros at the historical exchange rate.

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

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

In 2018 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

No changes have been made in the scope of consolidation in 2018. The most significant changes in the scope of consolidation in 2017 were as follows:

Additions and acquisitions

On 13 February 2017, the subsidiary MIDSID –Sociedade Portuguesa de Distribuiçao, S.A. acquired all the shares representing the share capital of José Costa & Rodrigues, Lda. for EUR 7,700 thousand plus an additional maximum amount of EUR 4,025 thousand, related to the working capital of the acquired company. Following completion of the procedures to value the current assets and liabilities of the acquired company, the acquisition price ultimately amounted to EUR 11,448 thousand. Having analysed the fair value of the assets and liabilities acquired, in 2017 Group management provisionally recognised EUR 6,575 thousand as goodwill at 30 September 2017. In 2018, following completion of the process to identify intangible assets, the aforementioned goodwill was allocated in full to the vending channel of José Costa & Rodrigues, Lda under "Other Intangible Assets - Concessions, Rights and Licences" in the consolidated balance sheet (see Note 8).

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 2018, amounting to EUR 158,321 thousand, that the Parent's directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To voluntary reserves	10,117
Dividends	101,890
Interim dividend (Note 14-e)	46,314
	158,321

Pursuant to the legislation in force, the Parent assessed the liquidity statement on the date of approval of the interim dividend. Based on this assessment, on 24 July 2018 the Parent had EUR 46 million available for drawdown against the credit line granted by Compañía de Distribución Integral Logista, S.A.U. to the Parent (the drawable limit of which is EUR 114 million) of which the Parent has drawn down EUR 68 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 2018 in accordance with the IFRSs in force at the date of the related financial statements are described below.

4.1. Property, plant and equipment

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

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

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

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

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

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

4.2. Investment property

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

In 2018, the investment property registered in the consolidated balance's amortisation amounted to EUR 421 thousand (2017: EUR 425 thousand). In addition, in 2018, EUR 113 thousand of amortisation of related elements are registered under "Research expenses" in the consolidated statements (2017: EUR 96 thousand).

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

4.3. Goodwill

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

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

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

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

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

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

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

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

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

The discount rate applied is usually a pre-tax measurement based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets, adjusted by a risk premium to reflect the increase in the risk of the investment based on the country in question and the systematic risk of the Group. The discount rates applied by the Group in the various markets to calculate the present value of the estimated cash flows ranged from 6.2% to 7.8% in 2018 (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.

No legal, regulatory or other matters have arisen since the execution of the business combination that might significantly impact the renewal terms and conditions of the aforementioned agreements.

Computer software

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

Research and development expenditure

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

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

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

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

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

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

4.6. Leases

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

4.6.1. Operating leases

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

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

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

4.7. Non-current assets held for sale

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

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

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

4.8. Financial instruments

4.8.1. Financial assets

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

Trade and other receivables

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

Other current and non-current financial assets

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

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

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

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

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

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

Cash and cash equivalents

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

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

4.8.2. Financial liabilities

Bank borrowings

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

Trade payables

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

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

4.9. Inventories

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

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

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

4.10. Current/Non-current classification

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

4.11. Termination benefits

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

The accompanying consolidated balance sheet at 30 September 2018 and 30 September 2017 includes the provisions that the Parent's Directors consider necessary to cover the restructuring plans in progress at year-end (see Note 18).

4.12. Pension and other obligations to employees

Certain Group companies are obliged to supplement the social security retirement, disability or death benefits to employees who have fulfilled certain conditions. In general, the obligations relating to the current and former employees of these groups are defined contribution obligations and are externalised. The annual contributions made by the Group to meet these obligations are recognised under "Staff Costs" in the consolidated income statements and amounted to EUR 2,586 thousand and EUR 2,086 thousand in 2018 and 2017 respectively (see Note 23.b).

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

Logista France, S.A.S. has retirement obligations to its employees for which it has made provisions calculated on the basis of actuarial studies using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.8% and an annual discount rate of 1.9% as the main assumptions (see Note 18).

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

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

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

On 26 January 2016, the Board of Directors approved the second tranche of the 2014 Long-Term Incentive Plan (the 2017 General Plan and Special Plan) for the 2015-2018 vesting period. The beneficiaries of the second tranche numbered 50 for the General Plan and 10 for the Special Plan. The total estimated cost of the second tranche is EUR 2,491 thousand.

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

On 20 December 2016 the Company's Board of Directors approved new long-term incentive plans for the 2017-2022 period, which will be divided into three three-year tranches, the first of which begins on 1 October 2017.

On 23 January 2018, the Company's Board of Directors approved the first tranche's (2017-2020) beneficiaries, being 58 the beneficiaries included in the General Plan and 9 the ones considered in the Special Plan. The total estimated cost for the first tranche amounts to EUR 2,033 thousand.

On 23 January 2018, the Board of Directors approved the settlement of the First Vesting Period (2014-2017) of the General Plan and of the 2014 Special Plan. The settlement gave rise to the delivery of a total of 137,022 shares amounting to EUR 2,702 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding. The Parent also delivered 1,454 shares amounting to EUR 28 thousand to a beneficiary of the plan. In 2017 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries.

The annual charge for the cost of the three tranches included under "Staff Costs" in the consolidated statement of profit or loss for the period ended 30 September 2018 amounted to EUR 2,838 thousand related to the second and third tranche of the 2014 Incentive Plan and to the first tranche of the 2017 Incentive Plan (2017: EUR 2,684 thousand relating to the first, second and third tranche of the 2014 Incentive Plan).

In order to cater for the first and second 2014 tranches of the equity-settled long-term incentive plan, and the first branch of the 2017 incentive plan, by virtue of the authorisation granted by the Board of Directors, the Group acquired 588,161 treasury shares for EUR 11,555 thousand (see Note 14-f).

On 28 November 2017, the Parent's Board of Directors extended to 1 October 2018 the Parent's Extended Share Repurchase Programme (up to 560,476 shares, i.e. 0.42% of the share capital), to include them in the second and third tranches of the 2014 long-term incentive plan.

Lastly, on 25 September 2018, the Company's Board of Directors extended the Company's Extended Share Repurchase Programme (for up to 641,372 shares, i.e. 0.48% of the share capital) until 1 October 2019, in order to assign the repurchased shares to the third tranche of the "2014 Long-Term Incentive Plan" and to the first tranch of the "2017 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 30,192,515 thousand in 2018 and EUR 29,349,967 thousand in 2017.

In the particular case of the 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 forecasted 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 rates used to calculate the income tax expense are those in force at the consolidated balance sheet date.

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

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

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

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

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

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

The Parent files consolidated income tax returns in Spain and is the ultimate parent of consolidated tax group no. 548/17.

4.17. Consolidated statements of cash flows

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

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

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

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

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

5. EARNINGS PER SHARE

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

Earnings per share are calculated as follows:

	Thousands of Euros	
	2018	2017
Net profit for the year (thousands of euros)	156,706	153,862
Weighted average number of shares issued (thousands of shares) (*)	132,336	132,364
Earnings per share (euros)	1.18	1.16

(*) On 30 September 2018, the Parent Company holds 425,496 own shares.

At 30 September 2018 and 2017, taking into consideration treasury shares, which are related to the long term incentive plans, the calculation of the diluted earnings per share would give a result of EUR 1.18 per share (EUR 1.16 at 30 September 2017).

6. PROPERTY, PLANT AND EQUIPMENT

6.1. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2018 and 2017 were as follows:

2018

	Thousands of Euros				
	Balance at 30-09-17	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	Balance at 30-09-18
Cost:					
Land and buildings	222,705	147	(1,119)	1,615	223,348
Plant and machinery	191,326	9,298	(6,710)	2,564	196,478
Other fixtures, tools and furniture	149,307	6,089	(8,154)	3,038	150,280
Other items of property, plant and equipment	37,267	279	(1,486)	306	36,366
Property, plant and equipment in the course of construction	13,389	28,217	(14)	(8,692)	32,900
	613,994	**44,030**	**(17,483)**	**(1,169)**	**639,372**
Accumulated depreciation:					
Buildings	(111,080)	(4,811)	777	(83)	(115,197)
Plant and machinery	(148,284)	(10,610)	6,241	7	(152,646)
Other fixtures, tools and furniture	(122,336)	(8,086)	7,764	25	(122,633)
Other items of property, plant and equipment	(25,599)	(1,289)	1,115	(855)	(26,628)
	(407,299)	**(24,796)**	**15,897**	**(906)**	**(417,104)**
Impairment losses	(19,075)	-	338	-	(18,737)
	187,620	**19,234**	**(1,248)**	**(2,075)**	**203,531**

2017

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

Additions

In 2018 the Group recognised additions amounting to EUR 7.2 million in relation to the construction of a new logistics platform in Coslada (Madrid), recognised under "Property, Plant and Equipment in the Course of Construction" in the accompanying consolidated balance sheet.

The other most notable additions in 2018 and 2017 are mainly related to projects currently underway in relation to safety systems at the warehouses and the development of information systems.

Disposals

In 2018 the Group derecognised items no longer in use by the Group, many of which were fully depreciated.

Transfers

In 2018 items of plant, machinery and other fixtures were transferred within this line item from "Property, Plant and Equipment in the Course of Construction". Additionally, point-of-sale terminals have been transferred from "Inventories", as they have been leased by third parties.

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

6.2. Other disclosures

Fully depreciated items of property, plant and equipment in use at 30 September 2018 amounted to EUR 303,369 thousand (EUR 285,077 thousand at 30 September 2017).

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 2018 and 2017, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR 74,793 thousand and EUR 66,920 thousand, respectively.

7. GOODWILL

Breakdown and significant changes

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	30-09-2018	30-09-2017
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	2,017	6,896
	920,800	**925,679**

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.

Spain and Portugal, tobacco and related products

The goodwill associated with José Costa & Rodrigues, Lda. arose from the acquisition, on 13 February 2017, by MIDSID –Sociedade Portuguesa de Distribuiçao, S.A. of all the shares representing the share capital of the former for EUR 7,700 thousand plus an additional maximum amount of EUR 4,025 thousand, related to the working capital of the acquired company. Following completion of the procedures to review the current assets and liabilities of the acquired company, the final acquisition price amounted to EUR 11.4 million. In 2017 the Group provisionally recognised EUR 6,575 thousand as goodwill, the full amount of which was allocated to the vending channel of José Costa & Rodrigues, Lda. in 2018 under "Other Intangible Assets" in the accompanying consolidated balance sheet as at 30 September 2018.

Goodwill impairment analysis

The most relevant assumptions used in testing for impairment were as follows:

Discount and residual growth rates

	2018		2017	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Italy, tobacco and related products	7.80%	0.00%	6.70%	0.00%
France, tobacco and related products	6.50%	0.00%	5.60%	0.00%
Iberia, transport	6.20%	0.00%	6.71%	0.00%
Iberia, other business: Pharma	6.20%	0.00%	5.80%	0.00%
Iberia, tobacco and related products	7.80%	0.00%	6.40%	0.00%

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

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

Future changes in sales, procurements and working capital

The principal assumption considered in the business plans of the main cash-generating units to calculate the value in use of each unit consisted of the performance of sales and procurements, the percentage change in which over the three years of the business plan was estimated as follows:

	Average performance 2019-2021	
	Sales	Procurements
Italy, tobacco and related products	2.3%	2.5%
France, tobacco and related products	(4.3%)	(4.8%)

In Italy, sales will perform positively as a result of the projected trend in tobacco sales. With respect to procurements, the expected increase somewhat exceeds that of sales, as a result of the decrease in the provision of services to manufacturers.

As a result of the aforementioned trends, impairment of working capital for 2019-2021 was estimated to be 10% in the case of France and remains stable in the case of Italy.

In France the trend indicated arises as a result of the envisaged fall in sales volume due to future increases in RSPs, in line with the plans of the current French Government. However, an improvement in margins is expected as a result of the contracts entered into with the main suppliers.

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 2018 and 2017.

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 due to increases of 100 basis points in the discount rate and negative changes of 100 basis points in the residual growth rate. This sensitivity analysis 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 2018 and 2017 were as follows:

2018

	Thousands of Euros				
	Balance at 30-09-2017	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30-09-2018
Cost:					
R+D expenses	2,223	-	-	-	2,223
Computer software	187,681	392	(6,598)	5,959	187,434
Concessions, rights and licences	777,868	-	-	6,296	784,164
Advances and intangible assets in progress	3,666	11,717	-	(3,705)	11,678
	971,438	**12,109**	**(6,598)**	**8,550**	**985,499**
Accumulated amortisation:					
R+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(158,654)	(10,841)	6,525	(255)	(163,225)
Concessions, rights and licences	(260,123)	(52,126)	-	-	(312,249)
	(420,969)	**(62,967)**	**6,525**	**(255)**	**(477,666)**
Impairment losses	(2,623)	-	-	-	(2,623)
	547,846	**(50,858)**	**(73)**	**8,295**	**505,210**

2017

	Thousands of Euros				
	Balance at 30-09-2017	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30-09-2017
Cost:					
R+D expenses	2,223	-	-	-	2,223
Computer software	176,494	650	(122)	10,659	187,681
Concessions, rights and licences	779,745	-	-	(1,877)	777,868
Advances and intangible assets in progress	5,070	6,693	-	(8,097)	3,666
	963,532	**7,343**	**(122)**	**685**	**971,438**
Accumulated amortisation:					
R+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(146,938)	(10,775)	120	(1,061)	(158,654)
Concessions, rights and licences	(209,416)	(51,768)	-	1,061	(260,123)
	(358,546)	**(62,543)**	**120**	**-**	**(420,969)**
Impairment losses	(2,623)	-	-	-	(2,623)
	602,363	**(55,200)**	**(2)**	**685**	**547,846**

Additions

The additions to "Other intangible assets" in 2018 and 2017 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 2018 and 2017 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.

In 2018, following the completion of the identification of the intangible assets of the acquiree José Costa & Rodrigues, Lda., the Group provisionally recognised the full amount of the goodwill to the vending channel of José Costa & Rodrigues, Lda. under "Other Intangible Assets - Concessions, Rights and Licences" in the consolidated balance sheet (see Note 2.7.3).

Impairment

In 2018 and 2017 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

Other information

On 30 September 2018 and 2017, the intangible assets in use that were completely depreciated amounted to EUR 135,435 thousand and EUR 135,333 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 2018 and 2017 is as follows:

2018

Financial Assets: Nature/Category	Thousands of Euros				
	Loans Granted to Third Parties	Loans Granted to Related Companies (Note 26)	Short-Term Deposits and Guarantees	Available for-Sale Financial Assets	Total
Non-current:					
Equity instruments	-	-	-	692	692
Financial debts	194	-	-	-	194
Other financial assets	-	-	3,748	-	3,748
	194	**-**	**3,748**	**692**	**4,634**
Current:					
Financial debts	29,733	1,881,035	-	-	1,910,768
Other financial assets	-	-	166	-	166
	29,733	**1,881,035**	**166**	**-**	**1,910,934**
	29,927	**1,881,035**	**3,914**	**692**	**1,915,568**

2017

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

Loans granted to third parties

The venturers of "UTE Compañia de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas" granted a loan to this joint venture, which at 30 September 2018 totalled EUR 118,815 thousand, each assuming an equal portion. Compañía de Distribución Integral Logista, S.A.U. included an amount of EUR 29,704 thousand in this connection at 30 September 2018 (at 30 September 2017: EUR 30,317 thousand), and this amount is recognised under "Other Current Financial Assets" and "Other Current Financial Liabilities" in the accompanying consolidated balance sheet as at that date, for the balances receivable from and payable to the aforementioned joint venture that correspond to the other venturer (see Note 20).

This loan agreement has been subject to successive renewals and modifications, the last of which is in force until 31 December 2018, with a maximum limit of EUR 124 million, 50% of which from each venturer. The loan is interest free.

The main aggregates of the joint venture at 30 September 2018 were as follows:

	Thousands of Euros			
	Assets	Liabilities	Equity	Loss for the Year
"UTE Compañia de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas"	3,012	123,279	(120,267)	(2,068)

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 drawdown limit of EUR 2,600 million. The purpose of this agreement is to govern the terms and conditions under which Logista will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited for the purpose of optimising its cash flow, and the loans from Imperial Brands Enterprise Finance Limited to Compañía de Distribución Integral Logista, S.A.U. in order for the latter to be able to meet its cash needs arising from its operations. In accordance with this agreement, Compañía de Distribución Integral Logista, S.A.U. will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited or will receive the cash necessary to meet its payment obligations.

On 21 March 2018, Imperial Brands Enterprise Finance Limited transferred the rights and obligations under the aforementioned credit line agreement to Imperial Brands Finance PLC., and the maturity was extended to 12 June 2024 (automatically renewable for additional one-year periods, unless notified otherwise by any of the parties at least one year before maturity) with a maximum drawdown limit of two thousand six hundred million euros.

The interest accrued on this credit line at 30 September 2018 amounted to EUR 13,664 thousand (30 September 2017: EUR 12,629 thousand) (see Note 26).

The daily balance of this internal current account has an equivalent cost to the interest at the European Central Bank interest rate, plus a spread of 0.75% for the credit provisions, and earn at the same reference rate, plus a spread of 0.75% for the surplus loans. Interest is calculated on a daily basis, based on 360 days, and is capitalised every quarter.

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

10. INVENTORIES

The detail of the Group's inventories at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Tobacco	1,073,778	1,015,952
Published materials	12,039	15,385
Other merchandise	110,982	98,606
Write-downs	(8,256)	(7,321)
	1,188,543	**1,122,622**

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 2018, for a total amount of EUR 458,777 thousand (2017: EUR 393,831 thousand).

The write-down in year 2018 and 2017 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 2016	**6,786**
Period write-downs	6,141
Reversals	(5,606)
Accumulated write-down at 30 September 2017	**7,321**
Period write-downs	5,208
Reversals	(2,409)
Amounts derecognised	(1,864)
Accumulated write-down at 30 September 2018	**8,256**

At 30 September 2018 and 2017, 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 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Trade receivables for sales and services	1,769,474	1,655,877
Related companies (Note 26)	23,741	26,684
Sundry accounts receivable	105,814	116,683
Employee receivables	442	285
Allowances for doubtful debts	(53,225)	(52,191)
	1,846,246	**1,747,338**

The changes in the "Allowances for Doubtful Debts" in 2018 and 2017 are as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2016	**55,161**
Period write-downs	2,619
Reversals	(4,201)
Amounts derecognised	(1,388)
Allowance for doubtful debts at 30 September 2017	**(52,191)**
Period write-downs	5,131
Reversals	(3,234)
Reclassifications	(523)
Amounts derecognised	(340)
Allowance for doubtful debts at 30 September 2018	**53,225**

The additions to and reversals from the allowance for doubtful debts in 2018 and 2017 are recognised under "Cost of Logistics Networks - Other Operating Expenses" in the accompanying consolidated income statement.

At 30 September 2018 and 2017, 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 credit period taken on sales of goods and services by territory 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 2018 and 2017 is as follows:

	Thousands of Euros	
Tranche	2018	2017
0-30 days	44,322	35,977
30-90 days	12,119	9,525
90-180 days	67,993	6,146
180-360 days	1,363	1,194
More than 360 days	670	753

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 2018 and 2017 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 2018 and 2017.

13. EQUITY

At the end of 2018 and 2017 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 Parent Company until that moment). For these purposes, it should be noted that the aforementioned non-monetary contribution was subject to the required assessment by an independent expert appointed by the Mercantile Registry, pursuant to the Spanish Capital Companies Law consolidated text and the Mercantile Registry Regulations.

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

On 31 July 2018, Altadis, S.A.U. sold 13,265,000 shares, representing 9,99% of the Parent's share capital.

The only shareholder with an ownership interest of 10% or more in the Parent's share capital at 30 September 2018 is Altadis, S.A.U., with an ownership interest of 50,01% (60,00% as of 30 September 2017).

At 30 September 2018, 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 2018, the Group had a net cash position amounting to EUR 2,031,599 thousand (30 September 2017: EUR 1,889,163 thousand), the detail being as follows:

	Thousands of Euros	
	2018	2017
Other current financial liabilities (Note 20)	(32,850)	(34,371)
Gross debt	**(32,850)**	**(34,371)**
Current financial assets (Note 9)	1,910,934	1,821,726
Cash and cash equivalents	153,515	101,808
Financial assets and cash	**2,064,449**	**1,923,534**
Total net financial position	**2,031,599**	**1,889,163**

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 2018 the Parent's legal reserve has reached the legally required minimum.

Other reserves

The capital increase expenses incurred by the Parent in 2014 in the transaction described in the "Share Capital" section, which were charged to reserves, amounted to EUR 176 thousand, net of the related tax effect. This line item also includes the annual charges for 2018 and 2017 relating to the Share Plan tranches, amounting to EUR 2,838 thousand and EUR 2,207 thousand, respectively (see Note 4.12). Also, in 2018 this line item includes an amount used on EUR 4,064 thousand to settle the First Vesting Period (2014-2017) of the General Share Plan and the 2014 Special Share Plan and the settlement of a beneficiary for EUR 28 thousand (see Note 4.12).

c) Reorganisation reserve

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

d) Reserve for first-time application of IFRSs

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

e) Dividends

On 21 March 2018, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2017, 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 39,708 thousand, together with a final dividend of EUR 99,250 thousand.

On 24 July 2017, the Parent's Board of Directors approved the distribution of an interim dividend of EUR 0.35 per share out of the profit for 2018, totalling EUR 46,314 thousand, which was paid on 30 August 2017 (see Note 3).

f) Treasury shares

To cater of the long-term share-based incentive scheme and pursuant to the authorisation granted by the Board of Directors, the Group acquired 588,161 treasury shares for EUR 11,555 thousand.

In 2018, as a result of the settlement of the First Vesting Period (2014-2017) of the General Share Plan and the 2014 Special Share Plan, 137,022 shares were delivered to the beneficiaries of the two plans for a total amount of EUR 2,702 thousand; in addition, 1,454 shares were delivered to a beneficiary of the plan for a total amount of EUR 28 thousand, and the balance recognised at 30 September 2018 was EUR 8,348 thousand.

In 2017, 24,189 treasury shares amounting to EUR 477 thousand were delivered to two beneficiaries.

15. RESERVES AT CONSOLIDATED COMPANIES

The detail of "Reserves of Group Companies and Associates" in the consolidated balance sheets at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Reserves in fully consolidated companies	222,751	216,999
Reserves in companies consolidated by the equity method	(1,382)	(625)
	221,370	**216,374**

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

16. MINORITY INTERESTS

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

Entity	Thousands of Euros			
	2018		2017	
	Minority Interests	Income Atributable To Minority Shareholders	Minority Interests	Income Atributable To Minority Shareholders
Distribuidora Valenciana de Ediciones, S.A.	198	(148)	346	(14)
Terzia, S.p.A.	934	(191)	1,125	(265)
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	58	14	54	10
Distribuidora de Publicaciones del Sur, S.L.	257	75	182	8
Other entities	159	-	159	-
	1,606	**(250)**	**1,866**	**(261)**

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 the related credit limits and setting the policy for the doubtful debts allowance.

Credit risk

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

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

The Group considers that at 30 September 2018 the level of credit risk exposure of its financial assets is not significant.

Interest rate risk

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

In accordance with the disclosure requirements of IFRS 7, the Group performed a sensitivity analysis in relation to the possible interest rate fluctuations which might occur in the markets in which it operates. Based on these requirements, the Group considers that each interest rate drop of 10 basis points would give rise to a decrease in the Group's finance income of EUR 1.8 million (2017: EUR 1.75 million).

Foreign currency risk

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

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

Liquidity risk

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

Also, at 30 September 2018, the Group had a working capital deficiency amounting to EUR 838,563 thousand (30 September 2017: EUR 862,601 thousand). However, as a result of the difference between the average collection and payment, the Group generates sufficient liquidity to meet these payments.

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

18. PROVISIONS

The detail of the balance of short- and long-term provisions in the accompanying consolidated balance sheets at 30 September 2018 and 2017 and of the main changes therein in the periods is as follows:

2018

	Thousands of Euros					
	Balance at 30-09-2017	Additions	Reversions	Provisions Used	Transfers	Balance at 30-09-2018
Non-current provisions						
Customs and excise duty assessments	8,176	4,583	(1,900)	-	-	10,859
Obligations to employees	20,369	1,739	(1,399)	(877)	(339)	19,493
Provision for contingencies and charges	5,579	1,344	(190)	(825)	-	5,908
Other	2,562	-	(236)	-	345	2,671
	36,686	**7,666**	**(3,725)**	**(1,702)**	**6**	**38,931**
Current provisions						
Provision for restructuring costs	6,249	1,933	(162)	(4,654)	1,455	4,821
Customer refunds	2,005	493	(175)	-	(161)	2,162
Other	5,474	745	(829)	(917)	127	4,600
	13,728	**3,171**	**(1,166)**	**(5,571)**	**1,421**	**11,583**

2017

	Miles de Euros						
	Balance at 30-09-2016	Additions to the Perimeter	Additions	Reversions	Provisions Used	Transfers	Balance at 30-09-2017
Non-current provisions							
Customs and excise duty assessments	7,411	-	1,365	(600)	-	-	8,176
Obligations to employees	16,428	-	8,252	(3,530)	(781)	-	20,369
Provision for restructuring costs	8	-	-	-	-	(8)	-
Provision for contingencies and charges	4,481	-	1,199	(13)	-	(88)	5,579
Other	4,502	-	-	(418)	(1,618)	96	2,562
	32,830	**-**	**10,816**	**(4,561)**	**(2,399)**	**-**	**36,686**
Current provisions							
Provision for restructuring costs	7,725	-	4,660	(808)	(6,518)	1,190	6,249
Customer refunds	2,791	-	301	(1,087)	-	-	2,005
Other	6,622	76	1,283	(1,266)	(1,299)	58	5,474
	17,138	**76**	**6,244**	**(3,161)**	**(7,817)**	**1,248**	**13,728**

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 2009 to 2010. 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 amounting to EUR 2,380 thousand.

In previous years, tax assessments were issued to Compañía de Distribución Integral Logista, S.A.U. in relation to foreign trade activity settlements for years 2012-2015 amounting to EUR 13,852 thousand, which have been appealed. Of this amount, EUR 3,605 thousand have been guaranteed and the remaining amount has been paid to avoid the possible accrual of late payment interest. Per the assessment made and corroborated by its external advisers, the existing arguments to defend the Company's actions in this regard are sound and should prevail in the courts, for which reason an outflow of financial resources is not considered probable and, consequently, the Group has not recognised a provision for the first tax assessment and has recognised the payment of the other years as an asset in the accompanying consolidated balance sheet as at 30 September 2018. It is important to take into account that, by virtue of the agreements entered into by the Company, any impact arising from a possible increase in the tariff on the goods sold by the Company may be passed on to the supplier of the goods.

At the date of authorisation for issue of these consolidated financial statements for 2018, the aforementioned claims were at the Central Economic-Administrative Tribunal, which had yet to hand down a ruling thereon.

In 2018, Logista Italia, S.p.A. recognized, based on its experience, a provision amounting to EUR 4,523 thousand as a result of the Italian tax authorities' open inspection.

Provisions for employee benefit obligations

This account includes mainly the present value of the obligations assumed by Compañía de Distribución Integral Logista, S.A.U. in terms of long-service bonuses and the "free tobacco" benefit and the provisions recognised by the Group companies to meet retirement obligations.

In 2017, a provision of EUR 6,860 thousand was recognised as a result of a decision handed down by the Employment Tribunal of the National Appellate Court, which ordered that Compañía de Distribución Integral Logista, S.A.U. recognise the right of those employees formerly employed by Altadis, S.A.U. who had retired after 2005 to receive, once they had retired, the equivalent monetary value of the gift tobacco they would receive at present as active personnel. The Company has appealed against this decision at the Supreme Court. This provision was calculated on the basis of actuarial studies performed by independent experts using as their main assumptions PERM/F 2000P mortality tables and a discount rate of 2% per year.

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 2018 and 2017, provisions were recognised amounting to EUR 1,933 thousand and EUR 4,660 thousand, respectively, and indemnity payments were made amounting to EUR 4,654 thousand and EUR 6,518 thousand, respectively, with a charge to the provisions that were recognised for that purpose.

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

Provisions for customer refunds

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

Provisions for contingencies and charges

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

19. TAX MATTERS

Consolidated Tax Group

In 2018, several of the Group companies filed consolidated tax returns with the Parent (see Note 4.16). The companies that file consolidated tax returns together with the Parent, for income tax purposes, are: Compañía de Distribución Integral Logista, S.A.U., Distribérica, S.A.U., Publicaciones y Libros, S.A., Distribuidora de las Rías, S.A., Logista-Dis, S.A.U., La Mancha 2000, S.A.U., Dronas, 2002, S.L.U., Logista Pharma Gran Canaria, S.A.U., Distribuidora de Publicaciones Siglo XXI Guadalajara, S.L.U., Logista Pharma, S.A.U., Cyberpoint, S.L.U., Distribuidora del Noroeste, S.L., Compañía de Distribución Integral de Publicaciones Logista, S.L.U., Distribuidora del Este, S.A.U., S.A. Distribuidora de Ediciones, Logesta Gestión de Transporte, S.A.U., and Be to Be Pharma, S.L.U.

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

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

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

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

Years open for review by the tax authorities

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

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

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

Tax receivables and payables

The detail of the tax receivables at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Deferred tax assets:		
Provision for restructuring costs	1,167	1,182
Goodwill	1,842	1,875
Impairment losses and other	1,750	881
Provision for third-party liability	10,734	11,853
Other deferred tax assets	3,136	4,153
	18,629	**19,944**
Tax receivables (current):		
VAT refundable	4,548	4,558
Income tax refundable	78,240	30,730
Other	745	1,471
	83,533	**36,759**

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 amortization charge. Specifically, it was possible to deduct up to 70% of the depreciation and amortization charge, and the portion of the charge that was not deductible started to be deducted in 2017.

The detail of the tax payables at 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	**2017**
Deferred tax liabilities:		
Assets contributed by Logista	562	589
Revaluation of land owned by the Parent (Note 14-d)	7,125	7,125
Goodwill	95,378	88,763
Business Combination	166,627	184,607
Other	9,981	17,884
	279,673	**298,968**
Tax payables (current):		
Excise duty on tobacco products	3,722,463	3,567,440
VAT payable	1,035,282	851,835
Customs duty settlements	4,545	4,212
Income tax, net of prepayments	8,071	2,346
Personal income tax withholdings	6,145	4,216
Social security taxes payable	17,111	16,828
Tax retention to tobacconists (France)	29,324	28,735
Other	74,979	88,792
	4,897,920	**4,564,404**

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

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

At September 30, 2018 the "Other items" caption includes an account payable with the French tax authorities for an amount of EUR 73 million (2017: 87 million), which in turn has been re-invoiced to tobacco manufacturers, since they are the final taxable subjects.

Until 2011, each year Compañía de Distribución Integral Logista, S.A.U decreased its taxable profit by one twentieth of the implicit goodwill included in the acquisition price of its subsidiary in Italy. These reductions are considered to be temporary differences. On 30 March 2012, Royal Decree-Law 12/2012 came into force, introducing various tax and administrative measures aimed at reducing the public deficit. These measures include limiting the tax deductibility of such goodwill to 1% per year. Since 2017, the maximum tax credit is 5% per year.

Reconciliation of the accounting profit to the taxable profit

The reconciliation of the accounting profit before tax to the aggregate taxable profit and of the accounting profit before tax to the income tax expense resulting from the application of the standard tax rate in force in Spain for the years ended 30 September 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Accounting profit before tax	203,163	187,958
Permanent differences	(39,209)	(22,660)
Tax charge at 25%	40,989	41,325
Effect of different tax rates and changes thereto	13,476	(2,118)
Corporation tax adjustments	(9,100)	(7,300)
CVAE France	2,472	2,863
Reductions	(1,130)	(455)
Total income tax expense recognised in consolidated profit or loss	**46,707**	**34,315**

The permanent differences include adjustments amounting to EUR 32 million relating to differences between the tax base and carrying amounts of assets spun off and received by the Logista Group, which, in previous years, paid the tax on the gain associated with these values. In 2018, conditions supporting the consideration of a portion of these gains as a negative permanent difference were disclosed, giving rise to a reduction of the taxable profit at 30 September 2018.

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

- Spain: the current income tax rate is 25%.
- France: the current standard tax is 34.43%, although a supplementary rate of 5% for large companies was levied in 2018 only.
- Italy: the income tax rate is 24% and there is a supplementary business tax which can represent an additional 4.6%.
- Portugal: the income tax rate is 22.5%, and there is an obligation to make pre-payments even if an entity is reporting a loss.
- Poland: the income tax rate is 19%.

The breakdown of the income tax expense is as follows:

	Thousands of Euros	
	2018	2017
Current tax:		
Continuing operations	66,103	61,609
Deferred tax:		
Continuing operations	(19,103)	(16,184)
Tax adjustment and others	(293)	(11,110)
Total tax expense	**46,707**	**34,315**

Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2018 and 2017 are as follows:

2018

	Thousands of Euros			
	Balance at 30-09-2017	Change in Profit or Loss	Others	Balance at 30-09-2018
Deferred tax assets:				
Provision for restructuring costs	1,182	(81)	66	1,167
Goodwill	1,875	(33)	-	1,842
Impairment losses and other	881	867	2	1,750
Provision for third-party liability	11,853	(1,130)	11	10,734
Other deferred tax assets	4,153	(1,021)	4	3,136
	19,944	**(1,398)**	**83**	**18,629**
Deferred tax liabilities:				
Assets contributed by Logista	(589)	27	-	(562)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(88,763)	(6,737)	122	(95,378)
Business combination	(184,607)	17,980	-	(166,627)
Other	(17,884)	7,811	92	(9,981)
	(298,968)	**19,081**	**214**	**(279,673)**

2017

	Thousands of Euros			
	Balance at 30-09-2016	Change in Profit or Loss	Others	Balance at 30-09-2017
Deferred tax assets:				
Provision for restructuring costs	2,116	(866)	(68)	1,182
Goodwill	2,223	(348)	-	1,875
Impairment losses and other	3,723	(2,829)	(13)	881
Provision for third-party liability	10,022	2,197	(366)	11,853
Other deferred tax assets	4,315	(129)	(33)	4,153
	22,399	**(1,975)**	**(480)**	**19,944**
Deferred tax liabilities:				
Assets contributed by Logista	(616)	27	-	(589)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(83,614)	(6,689)	177	(88,763)
Business combination	(214,562)	18,466	11,413	(184,607)
Other	(24,239)	6,355	-	(17,884)
	(328,717)	**18,159**	**11,590**	**(298,968)**

The deferred tax liability caption includes mainly the deferrals associated with the business combinations and goodwill recorded by the Group. During fiscal year 2018 there have been variations to the corporate income tax for the year together with the effect of changes in the tax rate in various legislations.

Tax credit and tax loss carryforwards

At 30 September 2018, the Group had tax credits not yet used by the tax group amounting to EUR 4,426 thousand (30 September 2017: EUR 5,199 thousand), which had been earned as part of the previous tax group. These tax credits are recognised under "Other Current Financial Assets" (see Note 26).

The Group's tax loss carryforwards at the end of 2018 were basically as follows:

- Spain: the tax loss carryforwards amount to EUR 6,361 thousand and were incurred mainly by S.A.U. Distribuidora de Ediciones and Distribuidora Valenciana de Ediciones, S.A. There is no time limit for their offset.

- Portugal: the tax losses not yet offset amount to EUR 10 thousand and were incurred by Logesta Lusa Lda., being its limit for their offset the period 2021-2027.

- Italy: the tax losses not yet offset amount to EUR 762 thousand and were incurred mainly by Terzia, S.p.A. There is no time limit for their offset.

20. OTHER CURRENT FINANCIAL LIABILITIES

This line item includes mainly the balance at Compañía de Distribución Integral Logista, S.A.U. relating to the credit facility granted by it to "UTE Compañia de Distribución Integral Logista, S.A.U. y IGR Spain Lottery, S.L.U. Unión Temporal de Empresas", which amounted to EUR 29,704 thousand at 30 September 2018 (30 September 2017: EUR 30,317 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 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Accounts payable for purchases and services	813,354	817,562
Notes payable	24,404	24,114
Payable to related companies (Note 26)	183,511	181,977
Advances received on orders	134	54
	1,021,403	**1,023,707**

"Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2018 was approximately 35 days (37 days in 2017).

22. GUARANTEE COMMITMENTS TO THIRD PARTIES AND OTHER INFORMATION

Guarantee commitments to third parties

At 30 September 2018, the Group has been provided with bank guarantees totalling EUR 150,492 thousand (30 September 2017: EUR 150,897 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 2018 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2018, 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.

Other Information

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

At the date of these consolidated financial statements, the process was at the examination phase, at which stage a statement of objections had been filed by the Investigation Department of the CNMC, of which Compañía de Distribución Integral Logista, S.A.U. was notified on 7 June 2018, and submissions relating to the statement of objections had been filed by Logista. A proposed decision relating to the proceeding had not been issued by the CNMC, which has a maximum period of 18 months from the institution of the proceeding in progress to issue its decision. The Parent's directors consider that no contingent liabilities will arise in connection with the aforementioned proceeding.

In 2017 a 5.6% social contribution on sales was established on tobacco suppliers in France, the amount of which was paid initially by Logista France to the French tax authorities and subsequently re-billed to the tobacco manufacturers, some of which refused to make the related payment. In this connection, a claim was filed against the Group by one of the main manufacturers, which was provisionally dismissed by the courts on 24 September 2018. Based on the information available, the management did not consider it necessary to recognise a provision.

23. INCOME AND EXPENSES

a) Income

The detail of "Revenue" in the consolidated income statements for 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Iberia	2,812,642	2,695,339
Italy	2,688,081	2,598,628
France	4,021,604	4,234,105
Corporative	8,495	7,578
Adjustment due to inter-segment sales	(54,338)	(42,409)
	9,476,484	**9,493,241**

b) Staff costs

The detail of the Group's "Staff Costs" in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Wages, salaries and similar expenses	(196,855)	(196,129)
Termination benefits	(3,301)	(6,748)
Employer social security costs	(62,847)	(61,634)
Other employee benefit costs (Note 4.12)	(2,586)	(2,086)
Other social costs	(12,894)	(12,508)
	(278,483) (*)	**(279,105)(*)**

(*) "Research Expenditure" includes EUR 1,377 thousand and EUR 1,387 thousand of staff costs in 2018 and 2017, respectively.

The average number of employees at the Group, by professional category, in 2018 and 2017, as well as the number of employes as of 30 September 2018 and 30 September 2017 was as follows:

2018

Category	Number of Persons							
	Average Headcount				Headcount at 30-09-17			
	Permanent Employees		Temporary Employees		Permanent Employees		Temporary Employees	
	Men	Women	Men	Women	Men	Women	Men	Women
Management	19	2	-	-	19	2	-	-
Line personnel and clerical staff	1,557	1,222	193	166	1,547	1,256	206	166
Messengers	1,556	558	358	172	1,564	558	354	147
	3,132	**1,782**	**551**	**338**	**3,130**	**1,816**	**560**	**313**
Total	**4,914**		**889**		**4,946**		**873**	

2017

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

The average number of disabled employees with a handicap higher than 33% at the Group in 2018 and 2017 was as follows:

Category	2018	2017
Management	1	-
Line personnel and clerical staff	14	20
Messengers	44	40
	59	**60**

Remuneration of senior executives

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

The remuneration earned in 2018 by the members of the Management Committee of the Group amounted to EUR 5,463 thousand (2017: EUR 5,175 thousand). The aforementioned amounts include the amounts vested in the members of the Management Committee in 2018 and 2017 under the incentive plan described in Note 4.12.

The period contributions to the pension plans for members of the Management Committee for 2018 and 2017 amounted to EUR 48 thousand and 52 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	
	2018	2017
Leases	(32,420)	(30,617)
Security and cleaning	(15,973)	(16,032)
Utilities	(16,843)	(16,563)
Other operating expenses	(136,107)	(123,816)
	(201,343)	**(187,028)**

Commercial expenses

	Thousands of Euros	
	2018	2017
Leases	(2,653)	(2,448)
Security and cleaning	(16)	(15)
Utilities	(1,391)	(1,244)
Other operating expenses	(19,018)	(18,115)
	(23,078)	**(21,822)**

Head Office costs

	Thousands of Euros	
	2018	2017
Leases	(4,172)	(4,106)
Security and cleaning	(649)	(615)
Utilities	(381)	(376)
Other operating expenses	(12,965)	(16,365)
	(18,167)	**(21,462)**

"Other Operating Expenses" mainly includes expenses related to Independent professional services and to various services registered in the consolidated statements for 2018 and 2017.

d) Future rental payment commitments

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

	Thousands of Euros	
	2018	2017
Within one year	(31,441)	(29,922)
Between one and five years	(69,802)	(55,416)
More than five years	(24,367)	(10,201)
	(125,610)	**(95,539)**

e) Finance income

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

	Thousands of Euros	
	2018	2017
Interest income (Note 26)	13,664	13,156
Other finance income with related parties (Note 26)	435	527
Other finance income	176	18,219
	14,275	**31,375**

"Other Finance Income" in 2017 includes the gain on the sale of the ownership interest in Banca ITB, S.p.A. on 19 December 2016 amounting to EUR 18 million.

f) Finance expenses

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

	Thousands of Euros	
	2018	2017
Accrual for late payment interests and financial update of provisions	(456)	(396)
Other financial costs	(1,131)	(1,020)
	(1,587)	**(1,416)**

g) Other disclosures

In 2018 and 2017 the fees for financial audit and other services provided by the joint auditors of the Group's consolidated financial statements, Deloitte, S.L. and PricewaterhouseCoopers Auditores, S.L., or by firms related to these joint auditors as result of a relationship of control, common ownership or common management, and the fees billed by the auditors of the separate financial statements of the consolidated companies, and by firms related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	Thousands of Euros					
	Services Rendered by the Main Auditor				Services Rendered by other Auditors	
	2018		2017		2018	2017
	Deloitte	PWC	Deloitte	PWC		
Audit services	828	497	816	488	11	15
Reporting package to Imperial Brands, Plc.	–	128	–	127	–	–
Other attest services	32	30	37	18	87	68
Total audit and related services	**860**	**655**	**853**	**633**	**98**	**83**
Transfer pricing counselling services	115	–	60	–	–	–
Other services	11	37	41	–	–	–
Total other services	**126**	**37**	**101**	**–**	**–**	**–**
Total professional services	**986**	**692**	**954**	**633**	**98**	**83**

From the date of year-end to the date of preparation of these consolidated annual accounts, fees charged for non-audit and related services provided by co-auditor PricewaterhouseCoopers Auditores, S.L. amounted to EUR 173.3 thousand (2017: EUR 84.8 thousand) and by the co-auditor Deloitte, S.L. amounted EUR 52.5 thousand.

24. SEGMENT REPORTING

Basis of segmentation

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

Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by Logista Group management. The figure of highest instance of operational decision making to define the operating segments is the CEO of the Parent Company.

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	
	2018	2017	2018	2017
Revenue:				
External sales-	2,812,642	2,695,339	2,688,081	2,598,628
Tobacco and related products	2,402,212	2,326,501	2,688,081	2,598,628
Transport	366,175	341,121	-	-
Other businesses	141,831	121,884	-	-
Other adjustments	(97,576)	(94,167)	-	-
Inter-segment sales	-	-	-	-
Total revenue	**2,812,642**	**2,695,339**	**2,688,081**	**2,598,628**
Procurements:				
External procurements	(2,251,246)	(2,161,907)	(2,397,651)	(2,357,771)
Inter-segment procurements	-	-	-	-
Total procurements	**(2,251,246)**	**(2,161,907)**	**(2,397,651)**	**(2,357,771)**
Gross profit:				
External gross profit-	561,396	533,432	290,430	240,858
Tobacco and related products	272,101	269,592	290,430	240,858
Transport	252,999	236,084	-	-
Other businesses	84,221	72,330	-	-
Other and adjustments	(47,925)	(44,574)	-	-
Inter-segment gross profit	-	-	-	-
Total gross profit	**561,396**	**533,432**	**290,430**	**240,858**
Profit (Loss):				
Segment result	111,572	102,904	79,064	57,810
Share of results of associates	-	-	-	-
Profit (Loss) from operations	**111,572**	**102,904**	**79,064**	**57,810**

Inter-segment sales are made at prevailing market prices. Also, the transfer prices are adequately supported and, therefore, the Group's directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future

Thousands of Euros					
France		Corporate and Others		Total Group	
2018	2017	2018	2017	2018	2017
4,021,604	4,234,105	8,495	7,578	9,530,822	9,535,650
3,840,142	4,049,956	8,495	7,578	8,938,930	8,982,653
-	-	-	-	366,175	341,121
189,270	190,802	-	-	331,101	312,686
(7,808)	(6,643)	-	-	(105,384)	(100,810)
-	-	-	-	(54,338)	(42,409)
4,021,604	**4,234,105**	**8,495**	**7,578**	**9,476,484**	**9,493,241**
(3,757,415)	(3,960,532)	-	-	(8,406,312)	(8,480,210)
-	-	-	-	48,012	36,664
(3,757,415)	**(3,960,532)**	**-**	**-**	**(8,358,300)**	**(8,443,546)**
264,189	273,573	8,495	7,578	1,124,510	1,055,441
218,586	228,710	8,495	7,578	789,612	746,738
-	-	-	-	252,999	236,084
51,579	50,063	-	-	135,800	122,393
(5,976)	(5,200)	-	-	(53,901)	(49,774)
-	-	-	-	(6,326)	(5,746)
264,189	**273,573**	**8,495**	**7,578**	**1,118,184**	**1,049,695**
12,547	10,399	(13,722)	(13,848)	189,461	157,265
-	-	-	-	1,014	734
12,547	**10,399**	**(14,722)**	**(13,848)**	**190,475**	**157,999**

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

	Thousands of Euros			
	Iberia		Italy	
	2018	2017	2018	2017
Other disclosures:				
Additions to non-current assets	33,775	20,123	10,194	4,539
Depreciation and amortisation charge	(23,184)	(22,452)	(6,401)	(6,260)
Balance sheet:				
Assets-				
Property, plant and equipment, investment properties and non-currents assets held for sale	150,790	141,587	24,218	20,734
Other non-current assets	63,820	61,833	671,523	670,562
Inventories	443,567	410,869	329,901	287,479
Trade receivables	552,523	519,743	332,456	325,389
Other current assets	–	–	–	–
Total consolidated assets				
Liabilities-				
Non-current liabilities	110,330	114,701	40,850	36,270
Current liabilities	1,634,250	1,402,664	1,572,989	1,619,006
Equity	–	–	–	–
Total consolidated liabilities				

	Thousands of Euros					
	France		Corporate and Others		Total Group	
	2018	2017	2018	2017	2018	2017
	10,445	4,905	47	24	54,461	29,591
	(58,405)	(58,051)	(57)	(84)	(88,047)	(86,846)
	46,403	43,526	133	160	221,544	206,007
	714,976	766,356	1,071	823	1,451,390	1,499,574
	415,075	424,274	–	–	1,188,543	1,122,622
	960,124	901,132	1,143	1,074	1,846,246	1,747,338
	–	–	–	–	2,157,467	1,967,207
					6,865,190	**6,542,748**
	171,570	189,563	–	–	322,750	340,534
	2,822,706	2,677,284	887	827	6,030,832	5,699,781
	–	–	–	–	511,608	502,433
					6,865,190	**6,542,748**

25. FOREIGN CURRENCY TRANSACTIONS

The Logista Group's foreign currency transactions in 2018 and 2017, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2018	2017
Sales	14,244	13,879
Purchases	10,305	7,950
Services received	4,678	5,079

26. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The balances at 30 September 2018 and 2017 with related companies were as follows:

2018

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	1,899	48,292	-
Altadis Canarias, S.A.	-	1,937	22,915	-
Imperial Brands Enterprise Finance PLC	1,881,025	-	-	-
Imperial Tobacco International Limited	-	334	17,551	-
Seita, S.A.S.	-	14,399	51,976	-
Imperial Tobacco Italia, Srl	-	344	36,743	-
Tabacalera, S.L. Central Overheads	-	553	3,344	-
Others	10	4,275	2,690	3,147
	1,881,035	**23,741**	**183,511**	**3,147**

2017

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

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

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

The transactions with related companies in 2018 and 2017 were as follows:

2018

	Thousands of Euros			
	Operating Income	Finance Results (Note 23-e)	Purchases	Other Operating Expenses
Altadis, S.A.U.	9,622	–	351,645	–
Altadis Canarias, S.A.	8,935	–	49,171	–
Tabacalera S.L. Central Overheads	8,438	–	222	–
Imperial Tobacco Italy, s.r.l.	1,658	–	86,069	–
Imperial Tobacco Polska, S.A.	2,705	–	–	–
Imperial Tobacco Manufacturing Polska, S.A.	364	–	–	–
Imperial Brands Enterprise Finance Limited	–	5,528	–	–
Imperial Brands Enterprise Finance PLC	–	8,136	–	–
Imperial Tobacco International Limited	1,885	–	39,210	–
Imperial Tobacco Portugal SPPLC	1,544	–	–	–
Macotab, S.A.S.	–	–	26	386
SEITA, S.A.	23,725	–	287,202	148
Fontem International Gmbh	1,401	–	6,493	–
Others	5,661	435	491	81
	65,938	**14,099**	**820,529**	**615**

2017

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

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

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

27. REMUNERATION OF DIRECTORS

Remuneration of the Parent's directors

In 2018 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 5,092 thousand (2017: EUR 4,120 thousand).

In addition, the employer contributions to pension plans for the executive directors amounted to EUR 11 thousand in 2018 and 2017.

The life insurance premium corresponding to the Board of Directors amounted to EUR 15 thousand in 2018 and 2017.

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

Also, in 2018 and 2017 the Parent did not perform with the members of the Board of Directors any transactions not relating to its ordinary business operations or any transactions not carried out under customary conditions.

In 2018 the directors' third-party liability insurance amounted to EUR 45 thousand (2017: EUR 46 thousand).

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

Information regarding situations of conflict of interest involving the directors

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

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

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

	Days	
	2018	2017
Average period of payment to suppliers	35	37
Ratio of transactions settled	35	37
Ratio of transactions not yet settled	43	43

	Thousand Euros	
	2018	2017
Total payments made	9,644,083	9,537,123
Total payments outstanding	837,893	680,684

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

29. ENVIRONMENTAL MATTERS

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

30. EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred subsequent since the end of the year ended 30 September 2018.

31. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

Appendix I

Subsidiaries and jointly controlled entities of the Logista Group

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

2018

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. de la Veguilla, 12-A. Cabanillas del Campo
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 Valadier. 37 (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	Al.Jerozolimskie, 96, Warszawa (Polonia)
Logesta Deutschland Gmbh (a)	No audit	Unsöldstrabe,2 , 20538, München (Alemania)
Logesta France, s.a.r.l. (d)	No audit	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
Logista Pharma 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)	Pwc	Vía Valadier, 37. Roma (Italia)
Terzia, S.p.A. (b)	Pwc	Vía Valadier, 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 96. Warszawa. Polonia
Logista France, S.A.S. (a)	Deloitte/Pwc	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
José Costa & Rodrigues L.D.A	PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)

(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 pharmaceutical and related products.

% of Ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
100	–	973,904	4,303,282	3,970,492	332,790	186,196
–	100	–	48,082	44,574	3,508	880
–	100	–	3,916	3,197	719	55
–	100	1.666	3,200	3,254	(54)	(756)
–	100	271	2,458	1,052	1,406	76
–	80	64	732	440	292	75
–	50	69	3,184	2,694	490	151
–	100	235	1,252	1,095	157	42
–	100	344	1,180	1,016	164	43
–	50	445	3,182	2,776	406	(297)
–	100	64	32	6	26	(16)
–	100	557	1,764	997	767	239
–	100	6,661	8,259	5,426	2,833	529
–	100	1,352	2,412	666	1,746	109
–	100	6,164	64,290	56,254	8,036	14
–	100	1,202	25,678	22,129	3,549	273
–	100	4,510	31,550	27,423	4,127	2,909
–	100	100	13,190	10,648	2,542	2,422
–	100	42	62	1	61	14
–	100	261	2,450	1,988	462	2,467
–	100	100	402	10	392	1
–	100	50	2,912	803	2,109	321
–	100	21,292	115,508	70,791	44,717	18,808
–	100	1,657	4,944	865	4,079	1,083
–	100	14,806	42,261	27,455	14,806	5,544
–	100	3	711	537	174	91
–	100	605,629	1,660,738	1,568,552	92,186	57,422
–	68	762	49,150	48,537	613	(599)
–	100	1,939	12,577	10,649	1,928	1,021
–	100	1,542	2,463	891	1,572	188
–	100	920,161	3,180,915	2,884,819	296,096	61,346
–	100	22,128	86,371	30,592	55,779	2,564
–	100	–	57,778	56,949	829	457
–	100	12,256	9,136	2,010	7,126	1,179

2017

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. de la Veguilla, 12-A. Cabanillas del Campo
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 Valadier. 37 (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	Al.Jerozolimskie, 96, Warszawa (Polonia)
Logesta Deutschland Gmbh (a)	No audit	Unsöldstrabe,2 , 20538, München (Alemania)
Logesta France, s.a.r.l. (d)	No audit	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
Logista Pharma 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)	Pwc	Vía Valadier, 37. Roma (Italia)
Terzia, S.p.A. (b)	Pwc	Vía Valadier, 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 96. Warszawa. Polonia
Logista France, S.A.S. (a)	Deloitte/Pwc	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia
José Costa & Rodrigues L.D.A	PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)

(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 pharmaceutical and related products.

% of Ownership By the Parent Company		Net Book Value	Thousands of Euros Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
100	–	974,054	4,170,771	3,873,470	297,301	177,201
–	100	–	51,632	48,175	3,457	920
–	100	–	3,906	3,234	672	8
–	100	3,614	3,199	2,498	701	(431)
–	100	410	2,840	1,387	1,453	123
–	80	64	1,010	739	271	53
–	50	69	2,787	2,448	339	15
–	100	239	771	656	115	(65)
–	100	360	1,215	1,088	127	6
–	50	445	3,126	2,424	702	(27)
–	100	64	48	7	41	(16)
–	100	557	1,760	1,176	584	55
–	100	6,661	8,932	6,178	2,754	450
–	100	1,352	2,354	620	1,734	107
–	100	4,534	56,871	51,424	5,447	2,870
–	100	1,202	21,209	17,903	3,306	2,337
–	100	4,510	30,883	26,078	4,805	3,589
–	100	100	11,927	10,323	1,604	1,484
–	100	42	66	18	48	(5)
–	100	261	2,564	2,185	379	99
–	100	100	408	17	391	(70)
–	100	–	2,679	890	1,789	304
–	100	21,292	102,948	60,729	42,219	16,311
–	100	1,657	4,706	916	3,790	793
–	100	12,852	37,682	24,830	12,852	3,950
–	100	3	681	507	174	91
–	100	605,629	1,709,223	1,610,769	98,454	63,696
–	68	762	45,383	44,171	1,212	(829)
–	100	964	9,380	8,473	907	570
–	100	1,383	2,219	842	1,377	271
–	100	920,161	3,041,283	2,737,403	303,880	69,129
–	100	22,128	102,176	28,959	73,217	(5,935)
–	100	–	58,939	59,738	(799)	(6,002)
–	100	12,152	7,416	1,471	5,945	792

Appendix I

Logista Group Associates

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

2018

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

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

2017

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

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

% of Ownership by the Parent Company		Net Book Value	Thousands of Euros			
			Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Proft/Loss
–	50	–	39,905	33,698	6,207	2,027

% of Ownership by the Parent Company		Net Book Value	Thousands of Euros			
			Data on the Companies			
Direct	Indirect		Assets	Liabilities	Equity	Proft/Loss
–	50	–	42,564	37,425	5,139	1,469

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

Consolidated Directors Report (*) for financial year ended on September 30th 2018

The Logista Group is the leading distributor of products and services to proximity retailers in Southern Europe.

Logista facilitates the best and fastest marketing of products and services through a capillary network of points of sale close to the end consumer, becoming the best partner for manufacturers and points of sale by means of a specialized, highly added value, intelligent and unique distribution service in Southern Europe.

Logista distributes tobacco and convenience products, e-transactions, pharmaceuticals, books, publications and lotteries, among others, to some 300,000 points of sale in capillary networks.

Logista's activity is carried out in three main geographies: Iberia (Spain and Portugal), France and Italy. In addition, Logista distributes tobacco products to wholesalers in Poland.

The Group's organizational structure is based on General Directorate by countries, headed by a responsible to whom the country's business lines Managers report.

The management accounting report follows this primary segmentation by geography, existing a secondary report regarding revenues and economic sales[1] figures by activity.

Business lines:

The Logista Group include its activities in three business lines:

- Distribution of tobacco and related: includes the distribution of tobacco and convenience products and e-transactions, among others, in Iberia, France and Italy.

- Transport: includes the Nacex and Integra2 activity, the Group's transport networks dedicated to parcel and express courier and to temperature-controlled capillary transport respectively, and Logesta activity, the Logista Group's subsidiary specialized in long distance and full load transport management.

- Other businesses: includes the distribution and logistics services of pharmaceuticals and the distribution of publications in Iberia, as well as the wholesale distribution services of convenience products to other points of sale (not tobacconists) in France.

EVOLUTION OF GRUPO LOGISTA IN 2018 AND POSITION OF THE GROUP

The Group recorded during fiscal year 2018 a very positive evolution of results. Main highlights:

- Significant Economic Sales[1] +6.5% improving the 0.2% drop in Revenues.

- Solid growth rates in Adjusted Operating Profit[1] and Profit from Operations rising by 12.4% and 20.6%, reflecting the good performance recorded by the activity and the lower impact from negative non-recurring results[1].

- Net Income progressing by 1.8%, despite a high comparison base that last fiscal year included the capital gain obtained on the sale of an affiliate.

(*) This consolidated directors' report includes the information required by Royal Decree-Law 18/2017, of November 24th (con superíndice), in relation to non-finacial information and diversity.
1. See appendix with Alternative Performance Measures.

Financial overview

	Million Euros		
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017	% Change
Revenues	9,476.5	9,493.2	(0.2)%
Economic Sales	1,118.2	1,049.7	6.5%
Adjusted Operating Profit[1]	245.9	218.8	12.4%
Margin over Economic Sales[1]	22.0%	20.8%	+120 b.p.
Profit from operations	190.5	158.0	20.6%
Net Income	156.7	153.9	1.8%

The Group has recorded again a positive set of results in fiscal year 2018, despite the challenges faced at a macroeconomic level as well as, in some cases, regulatory.

Economic growth in the main countries where the Group operates (Spain, France and Italy), suffered a slow down due to the political uncertainties, social protests, meteorological factors during some months and even to the trade tension between the United States and China. This conjuncture ended up translating as well into a generally weak consumption data in France and Italy and into a less robust growth than in the previous fiscal year in Spain.

Additionally, the first phase of the significant increase on the tobacco products taxation in France already announced by the Government at the end of the previous fiscal year that will last until year 2020 was implemented.

However, the unique business model of the Group and its proven capacity to offer value added to its clients allowed to close the fiscal year recording a solid growth in the results that benefitted too from a yearly comparison base affected by certain negative events not repeated in fiscal year 2018.

Group's Revenues remained practically stable, going down by 0.2% over the preceding year whilst Economic Sales[1] grew by 6.5% thanks to the significant improvements recorded by all business lines in Iberia and Italy, as well as by the distribution of convenience products in France, that easily offset the reduction experienced by the tobacco distribution in France. The Economic Sales[1] growth confirms once more the capacity of the Group to offer value added services to its clients over and above the value of the distributed products.

Per activities, Pharma, Tobacco Portugal and Transport as well as distribution of convenience products in all geographies and channels recorded the best performance whereas Tobacco and Electronic transactions in France presented the weakest performance.

The tobacco distribution has recorded growth at global level, despite a 3.0% decline of distributed volumes (cigarettes and RYO) during the fiscal year compared to fiscal year 2017, while in said fiscal year the yearly variation vs. fiscal year 2016 was -3.6%. All geographies recorded reductions of distributed cigarettes volumes but Portugal.

The taxation framework of the tobacco products remained stable in Spain and Italy (except for the yearly automatic update) whereas in France the significant increase announced by the Government in the Social Security Financing Law 2018 took effect. Tobacco manufacturers raised the retail-selling price of their products in all geographies. The global impact of these movements was slightly positive on Group's results in the fiscal year, contrasting with the negative effect recorded for this reason in the previous year.

1. See appendix with Alternative Performance Measures.

Total operating costs[1] grew by 5.0%, below Economic Sales[1] increase. If the €6.8 million non-recurring cost[1] from a litigation provision, accounted for in the Iberia segment in the first half of fiscal year 2017, is eliminated from the base, operating costs[1] recorded as well as a lower increase than the growth of Economic Sales[1], going up 5.9%.

Therefore, the Adjusted EBIT margin over Economic Sales[1] reached 22.0% compared to the 20.8% obtained in fiscal year 2017 and Adjusted EBIT[1] reached €245.9 million (+12.4% above previous year). This, together with the lower restructuring costs registered during the period (€3.6 million compared to €9.0 million), contributed to a 20.6% Profit from Operations increase vs. fiscal year 2017 to €190.5 million.

Financial Results this fiscal year reached €12.7 million, well below the €30.0 million registered in the last fiscal year. This decrease was mainly due to the capital gain derived from the sale of an affiliated company in the Italy segment registered in that period. Without considering the mentioned capital gain, the yearly variation in the financial results was not significant.

Likewise, the fact that the capital gain from the sale of this affiliate was taxed at a very low rate, resulted in a tax rate significantly lower than the 23.0% recorded during current fiscal year.

Because of all the above mentioned, the Net Income slightly increased (+1.8%) to €156.7 million.

Revenues Evolution (By Segment and Activity)

	Million Euros		
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017	% Change
Iberia	**2,812.6**	**2,695.3**	**4.4%**
Tobacco & Related*	2,402.2	2,326.5	3.3%
Transport Services	366.2	341.1	7.3%
Other Businesses*	141.8	121.9	16.4%
Adjustments	(97.6)	(94.2)	(3.6)%
France	**4,021.6**	**4,234.1**	**(5.0)%**
Tobacco & Related	3,840.1	4,049.9	(5.2)%
Other Businesses	189.3	190.8	(0.8)%
Adjustments	(7.8)	(6.6)	(17.5)%
Italy	**2,688.1**	**2,598.6**	**3.4%**
Tobacco & Related	2,688.1	2,598.6	3.4%
Corporate & Others	**(45.8)**	**(34.8)**	**(31.6)%**
Total Revenues	**9,476.5**	**9,493.2**	**(0.2)%**

* The lottery distribution activity previously reported in Other Businesses is now included in Tobacco & Related. Revenues related to the fiscal year 2017 have been restated with the goal of being comparable with the revenues for the fiscal year 2018.

1. See appendix with Alternative Performance Measures.

Economic Sales[1] Evolution (By Segment and Activity)

	Million Euros		
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017	% Change
Iberia	**561.4**	**533.4**	**5.2%**
Tobacco & Related*	272.1	269.6	0.9%
Transport Services	253.0	236.1	7.2%
Other Businesses*	84.2	72.3	16.4%
Adjustments	(47.9)	(44.6)	(7.5)%
France	**264.2**	**273.6**	**(3.4)%**
Tobacco & Related	218.6	228.7	(4.4)%
Other Businesses	51.6	50.1	3.0%
Adjustments	(6.0)	(5.2)	(14.9)%
Italy	**290.4**	**240.9**	**20.6%**
Tobacco & Related	290.4	240.9	20.6%
Corporate & Others	**2.2**	**1.8**	**18.4%**
Total Economic Sales[1]	**1,118.2**	**1,049.7**	**6.5%**

* The lottery distribution activity previously reported in Other Businesses is now included in Tobacco & Related. Economic Sales related to the fiscal year 2017 have been restated with the goal of being comparable with the economics sales for the fiscal year 2018.

Adjusted EBIT[1] Evolution (By Segment)

	Million Euros		
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017	% Change
Iberia	114.2	104.8	8.9%
France	65.8	67.8	(3.1)%
Italy	79.5	59.0	34.7%
Corporate & Others	(13.6)	(12.9)	(5.4)%
Total Adjusted EBIT[1]	**245.9**	**218.8**	**12.4%**

1. See appendix with 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 years 2018 and 2017 is shown:

	Million Euros	
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017
Adjusted Operating Profit[1]	**245.9**	**218.8**
(-) Restructuring Costs	(3.6)	(9.0)
(-) Amortization of Assets Logista France	(52.3)	(52.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	(0.5)	(0.3)
(+/-) Share of Results of Companies and Others	1.0	0.7
Profit from Operations	**190.5**	**158.0**

BUSINESS REVIEW

1. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €2,812.6 million compared to €2,695.3 million in the fiscal year 2017, recording a 4.4% growth. The Economic Sales[1] of the segment reached €561.4 million, a 5.2% ahead of the €533.4 million recorded in the preceding fiscal year.

Revenues in Tobacco and related products increased by 3.3%, mainly because of the growth of the activity in Portugal and despite the drop suffered by tobacco volumes distributed in Spain.

The cigarette volumes distributed in Spain during the fiscal year dropped by 1.6% compared to the preceding fiscal year, improving the trend in that fiscal year compared to the fiscal year 2016 (-2.6%). Distributed volumes of RYO and cigars also maintained a more favourable trend than the previous fiscal year, increasing by 1.8% and reducing by 2.4%, respectively compared to -2.8% and -4.4% in the yearly comparison of the preceding year.

During current fiscal year, tobacco manufacturers increased, in general, the retail selling price of the pack of cigarettes in 5 cents, in a scenario of stability in excise taxes on tobacco. In the preceding fiscal year, most of tobacco manufacturers decided to increase the retail selling price of the pack of cigarettes in 10 cents, after the rise in excise taxes announcement by the Spanish Government in December 2016. The positive impact on the inventories of the Group derived from these movements was lower than in the preceding year.

The Economic Sales[1] from the distribution of convenience products increased over 10% compared to the fiscal year 2017 thanks to a higher penetration in tobacconists and the good performance of the activity.

During the fiscal year, the number of tobacconists purchasing convenience products from the Group increased at the same time that the average sales per ticket grew, while the focus in the development of sales from other channels complementary to the traditional sales force, specially web, call centre and cash & carry was maintained.

Additionally, new petrol stations belonging to small and medium groups were recruited in pilot provinces to extend the service currently rendered to Repsol to other operators in Spain. This strategy of business expansion in the

1. See appendix with Alternative Performance Measures.

petrol station is also being followed in the Portuguese market, broadening the catalogue of products offered and incorporating new points of sale to the portfolio of clients.

Thus, Economic Sales[1] in Tobacco and related products grew by 0.9% comparing to previous fiscal year due to the good performance of the distribution of convenience products, of the activity in Portugal and the increase of value added services.

Revenues in Transport recorded again, as a whole, a very solid performance, growing by 7.3%. The three activities (Long distance, Courier and Industrial parcel) increased significantly Revenues and Economic Sales[1]. Economic Sales[1] in Transport went up by 7.2% to €253.0 million.

The activity of Long distance and full-load has offset the drop on tobacco volumes benefiting from the addition in the precedent year of the flows derived from the services provided in the NGP category for a client in Italy. The rest of transported flows (technology, pharmaceutical and perishables) continued recording solid growth and has benefited as well from the incorporation of new agreements.

The Parcel and Courier subsidiaries have maintained the leadership position in their respective market segments, derived from a continuous bet on differentiation, which has allowed them to continue achieving solid growth indicators in the fiscal year.

In the Parcel activity we have continued expanding the temperature services, especially relevant for the pharmaceutical and food industries and investments were carried out to face the significant increase of deliveries with these value added requirements.

Regarding the Courier activity, in 2018 has continued recording double-digit rises, well above the growth of the sector in Spain. The general consumption improvement and the constant growth of the on-line sales, key driver of the market development that in the case of our subsidiary Nacex adds to the higher tariffs from urgent services, contributed to that performance.

Revenues in Other Businesses (which from this fiscal year includes only Pharma and publications activities, while lottery distribution is included in Tobacco and related products) increased by 16.4% reaching €141.8 million and Economic Sales[1] went up by 16.4% to €84.2 million.

The significant growth recorded by the Pharma business was achieved thanks to the development of pre-existing activity as well as the incorporation of some clients along the year.

In this respect, it is worth noting the incorporation of most of the activity coming from Sanofi in October 1, 2017, as well as its distribution to hospitals since January 1, 2018. The vaccines' portfolio of Sanofi will be managed from January 1, 2019, when the incorporation of the distribution for this manufacturer to all channels (hospitals, wholesalers and pharmacies) for all its portfolio of product will finalise.

Additionally, the constant commercial work that the Group has carried out in Pharma allowed to continue adding clients under exclusive distribution of some of their products in the pharmacy channel, according to the strategy for the future development of this line of activity.

Likewise, the launch of new value added services to the clients in the pharmaceutical sector has continued developing, in line with the general strategy of the Group, in the distribution to pharmacies and to hospitals. Among others, it is worth to mention order capture to hospitals via telematics EDI (Electronic Data Interchange) and also, thanks to the development of specific OCR (Optical Character Recognition) tools, for the manual order capture (Fax, email, call centre, etc.), the billing and collection management service for hospitals and pharmacies (O2C – Order to Cash) or the special transport service dedicated for hospital deliveries (specific bi-temperature vehicles equipped with on line tracking and temperature alarms).

1. See appendix with Alternative Performance Measures.

This differentiating offer redounds, not only to new clients capture but also to increased loyalty, therefore contributing to consolidate the long term relation with the Group.

Despite the difficult environment in the distribution of publications in Spain, the Group's efforts have enabled to maintain the sales at a similar level to the preceding year, having closed distribution agreements with new publishers.

Total operating expenses[1] reported in the Iberia segment increased by 4.3% in the fiscal year. However, as previously mentioned, in the previous fiscal year a non-recurrent expense was recorded for €6.8 million so the yearly comparison base was high. Nevertheless, and even adjusting the base for this concept, the 6.0% increase of recurring operating expenses[1] was lower than the growth registered by the activity, if positive impact over results from the valuation of inventories due to tobacco price increases was excluded.

Adjusted Operating Profit[1] reached €114.2 million, a progress of 8.9% with respect to last year. If the impact of the non-recurring[1] cost recorded in the previous fiscal year is not considered, the increase was 2.3%.

In the fiscal year the restructuring costs amounted €2.0 million, while in the preceding year were €1.7 million. The Profit from Operations reached €111.6 million versus €102.9 million recorded in fiscal year 2017.

2. France

Revenues from the France segment reduced by 5.0% to €4,021.6 million while Economic Sales[1] declined by 3.4%, to reach €264.2 million.

Tobacco and related products Revenues fell by 5.2% to €3,840.1 million due to the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-8.0%) and in RYO (-8.6%).

The decline experienced by tobacco volumes was mainly due to the significant rise in the retail selling price of these products as a consequence of the excise tax increases taking effect in the period.

Throughout the fiscal year, the French government has carried out the tax increases corresponding to fiscal year 2018, included in the pack of excise tax increases planned till the year 2020 and aimed to increase the price of the pack of cigarettes to €10 in that year.

In concrete, there were increases in the months of November (first quarter) and March (second quarter). Additionally, in January 1, 2018 and according to the calendar announced by the Government last year, a new raise in the commission the tobacconists receive on the sale of tobacco products entered into force.

In general, tobacco manufacturers passed-through practically the total amount of this tax increase to the retail prices of their products (approximately 35 cents and 1 euro per pack respectively in November and March), although not all of them in the same amount and did it in an uneven way depending on the different references. However, the majority of tobacco manufacturers decided not to pass-through the increase of the tobacconists' commission to the consumers.

The global impact on the Group's stock value of these movements of prices, taxes and commissions was negative in the fiscal year.

In the preceding year, after the rise in taxation on tobacco products and the increase of the tobacconists' commission on the sale of these products (all them effective from January 1, 2017), tobacco manufacturers increased the price of a pack of cigarettes below the total amount of said measures what resulted in a negative impact in the results of that year.

On the other hand, the growth registered in the revenues of convenience products during the fiscal year mitigated the significant decrease experienced by the revenues from electronic transactions with respect to the previous fiscal year.

1. See appendix with Alternative Performance Measures.

The Economic Sales[1] from Tobacco and related products declined to a lower extent than Revenues vs. the previous fiscal year (-4.4% to €218.6 million) due to the positive performance of the convenience products distribution, despite the lower sales from electronic transactions and lower distributed volumes.

The Other Businesses activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a fall of 0.8% in Revenues, in a practically stable consumption environment, which encourages an increasing price competition. The better performance registered by the Economic Sales[1], that increased by 3.0% compared to the previous fiscal year, was due to the improvement on margins.

The total operating costs[1] of the France segment decreased by 3.6% so Adjusted Operating Profit[1] declined to €65.8 million, a 3.1% lower than in the preceding year.

The restructuring expenses (€1.0 million) were much lower than the €5.2 million registered in 2017 and drove Profit from Operations to €12.5 million, €2.1 million above the obtained in the previous fiscal year. The main adjustment in this segment is the Amortization of Assets generated from the acquisition of Logista France that was €52.2 million in both periods.

3. Italy

The Revenues in the Italy segment increased by 3.4% to €2,688.1 million driven by the significant increase in the sale of convenience products, as well as by the higher prices of tobacco products.

In contrast with the 6.1% decrease registered in the last fiscal year, the cigarette distributed volumes declined by 2.5% in the period, and the RYO category increased its growth rate, raised by 19.7% vs. 12.6% registered last fiscal year.

During the fiscal year, some tobacco manufacturers increased the price of their products between 10 and 20 cents per pack of cigarettes, in a context of constant taxation (except for the slight automatic update of excise taxes derived from the weighted average price on the previous year). Also during the fiscal year, some manufacturers opted for slightly reducing the retail selling price of some of their SKUs. The net impact of these movements on the valuation of inventories was positive in the fiscal year.

However, in the previous year, the general trend in the retail selling prices was stability, despite the increase in taxation of these products, what translated into a negative impact on the Group's 2017 results.

During the first quarter of current fiscal year, the tobacco distribution contract with BAT was renewed in Italy for 3 years.

The activity of distribution of convenience products has maintained a significant growth rate in the fiscal year (above 15%), achieving growth in the average order and at the same time improving penetration in the point of sales.

In addition, there was a significant increase in the new value added services rendered to manufacturers, including those related to NGP (Next Generation Products).

Because of all trends mentioned before, Economic Sales[1] in the Italy segment grew by 20.6% in the fiscal year.

Total operating costs[1] of the segment went up by 16.0% with respect to last fiscal year, well below the growth registered in Economic Sales[1], leading Adjusted Operating Profit[1] to €79.5 million, a 34.7% higher than the preceding year. The operating costs[1] increased slightly above the growth recorded by the activity excluding the impact in the valuation of inventories due, to a great extent, to the increase of the relative weight of the revenues from the logistics services offered to a client in the NGP category.

1. See appendix with Alternative Performance Measures.

The restructuring costs (€0.4 million) were not significant and were lower than in the fiscal year 2017 (€1.2 million). Therefore, the Operating Profit was at the same level (€79.1 million) that the Adjusted Operating Profit[1].

4. Corporate and Others

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit[1] was €0.7 million lower than in the previous year, reaching -€13.6 million.

FINANCIAL RESULT EVOLUTION

The capital gain recorded in the preceding fiscal year on the divestment of an affiliated company in the Italy segment, caused a 57.7% reduction on financial results to €12.7 million vs. €30.0 million obtained in fiscal year 2017. The financial revenues, excluding that capital gain, have not experienced significant variations.

Since 12 June 2014, the Group has a reciprocal credit facility agreement, with a maximum disposal limit of 2,600 million euros, with its majority shareholder (Imperial Brands Plc.) by which daily lends its cash excess, or receives the necessary cash to meet their payment obligations.

On 21 March 2018, the Board of Directors authorised the extension of the term of that contract until 12 June 2024, under the current terms and conditions, including the remuneration at the base rate of the European Central Bank, plus a 0.75% margin. The base rate of the European Central Bank stood at 0.0% during both fiscal years.

The average cash position reached €1,796 million compared to €1,659 million in the fiscal year 2017.

NET INCOME EVOLUTION

Earnings Before Taxes increased by 8.1% over the previous year, to €203.2 million and Net Income raised by 1.8% to reach €156.7 million.

The previously mentioned capital gain derived from the sale of an affiliated company in the previous fiscal year affected to the year-on-year comparison at both Profit Before Taxes and Net Profit level, not only by the amount of the aforementioned capital gain, but also for its very reduced tax rate. The nominal corporate tax rate increase registered in the period that stood at 23.0% vs 18.3% in the previous year is mainly explained by this reason.

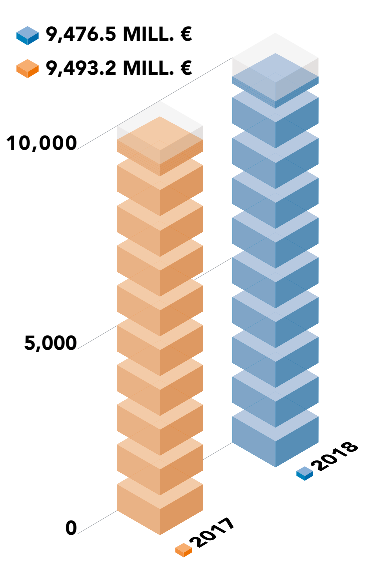
Earnings per Share were €1.18 vs. €1.16 in fiscal year 2017, with no variations in the number of shares of the share capital.

At closing of current fiscal year, the Company owned 425,496 own shares.

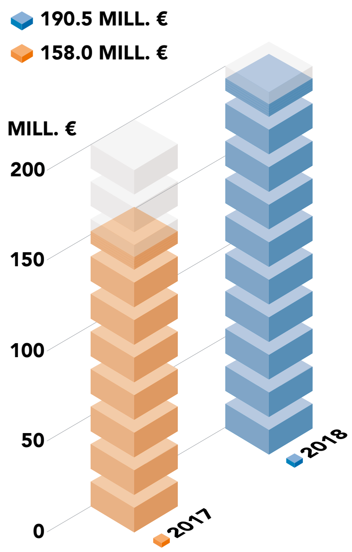
The graphs below show the evolution of main indicators for fiscal year 2018 (October 2017 – September 2018) compared to indicators for fiscal year 2017 (October 2016 – September 2017):

1. See appendix with Alternative Performance Measures.

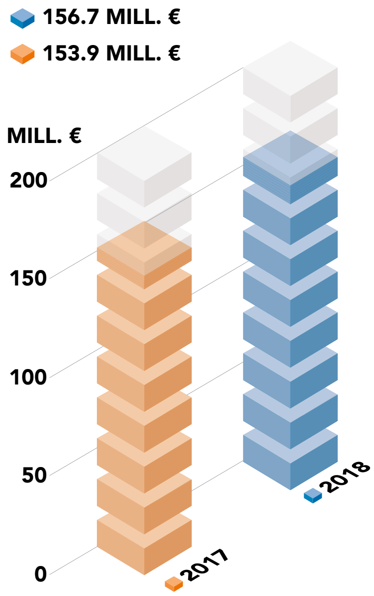
Revenue (mill €)



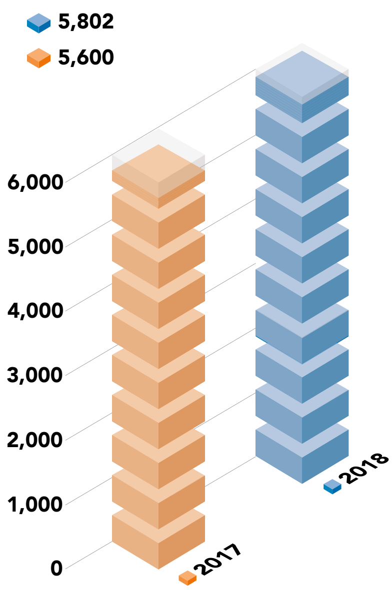
Profit from operations (mill €)



Profit for the period (mill €)



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 significant increase of the results, as well as a negative working capital and the lower payments for the corporate tax during the fiscal year, resulted in a cash generation increase, despite the cash outflow from investments was practically double than in the preceding fiscal year.

The main investments that drove this increase are related to an update of servers, the expansion of capacity and services in the aforementioned Transport area and a part of the those necessary to ensure compliance to the requirements according to the European Union regulation on traceability, whose expected date of entry into force is May 2019.

During the fiscal year, dividends for a total of €145.6 million were paid, corresponding to the payment of the final dividend of fiscal year 2017 and the payment of the interim dividend of this fiscal year.

DIVIDEND POLICY

The Board of Directors intends to propose to the General Shareholders Meeting the distribution of a final dividend corresponding to fiscal year 2018 of €102.27 million (€0.77 per share) that will be paid at the end of the second quarter of the fiscal year 2019.

Additionally, the Board of Directors agreed past 24 July 2018 to distribute an interim cash dividend corresponding to fiscal year 2018 of €0.35 per share (slightly more than €46.3 million). The payment was effective on 30 August 2018.

Therefore, the total dividend corresponding to fiscal year 2018 will amount near €149 million (€1.12 per share), a 6.7% higher than the total dividend distributed in fiscal year 2017.

OUTLOOK

Current trading environment suggests that in fiscal year 2019, Adjusted EBIT could record a mid single digit growth with respect to fiscal year 2018.

Due to the significant reduction of the tobacco volumes distributed in France during the fiscal year 2018 and the calendar of taxes increases on these products in the coming fiscal years, an adaptation to the new level of activity of the distribution structure could occur and for that reason, restructuring costs might increase compared to fiscal year 2018.

On the other hand, financial results will be similar to those obtained in the current fiscal year, if the rate of the European Central Bank maintains at the current level. Upward variations in this rate would have a positive impact on results.

Finally, a rise in the effective Corporate Income Tax of the Group is expected, as the deductions applicable for the Group were completed in the last two fiscal years.

Regarding the modifications on the corporate taxes that the government is considering in Spain, in case they are finally approved, they would enter into force for the fiscal years starting from January 2019. Therefore, they would not have impact in the Group's results until the fiscal year 2020.

As a consequence of all the above, it can be expected that Net Profit will be similar to the recorded in fiscal year 2018.

PAYMENT PERIODS TO SUPPLIERS

As of September 30th, 2018, the Group registers accounts payables slightly above the maximum legal payment period (30 days) explained by suppliers agreements characteristics.

RISK EXPOSURE

The Corporate Risk Management System of the Company and its subsidiaries is set forth in the Risks Management General Policy of September, 29th 2015.

The Risk Management General Policy, applicable both to each of the businesses and countries, and Corporate areas of the Group, has a main goal to set up the guidelines to integrate all the information from the different functions and operations of the Group, with the purpose of providing the Business Managers/Corporate Directorates with a holistic and integrated view, improving the Management capacity to manage risks in an efficient way and minimizing the impact in case the risks materialize.

In this Policy, different risk categories or factors are defined, in which, as part of the financial risks category, tax risks derived from the Group's operating activity are included.

Therefore, Fiscal strategy described at Fiscal Policy of the Logista Group, states, as part of its key objectives the following:

- To minimize the fiscal risks associated with the operations, as well as with the strategic decisions of each company, ensuring that the tax payable is appropriate and in proportion to the operations of the Businesses, the material and human resources, and the business risks of the Group.

- To define the fiscal risks and determine the Objectives and Activities of internal Control, and to set up systems for reporting fiscal compliance and for keeping documentary records, integrated with the Group's General Framework of Internal Control.

On the other hand, the Group's Internal Control General Policy of April 25th, 2017, establishes a general action framework for controlling and management of internal and external risks of any nature, which may affect the Logista Group, in accordance with the risk map in place at all times in the achievement of its objectives (Corporate Governance risks, market risks, financial risks, regulatory risks, business risks, operational risks, penal risks and reputational risks, among others).

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

The main risks and uncertainties facing the Group are related to possible regulatory changes in the industries in which it operates, the normal operational risks arising in the ordinary course of businesses, which are insured externally as far as possible. However, the Group complies with all the requirements to operate in the various markets and industries in which it carries on its business activities, and it has established, through its organisational structure, the appropriate procedures and controls to enable it to identify, prevent and mitigate the risks of change in the regulatory framework and, similarly, to comply with the obligations imposed by the various legislations applicable to it.

Among the main risks, it is important to highlight:

- The Group's Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.

- European Directive 2014/40/UE (3 April 2014), whose transposition period by the respective UE members ended on May 20, 2016, establishes tighter rules for tobacco products, related among others, to labelling, ingredients, track and trace and cross-border trade could affect the sold volume.

- Liberalization in the main markets where the Group operates as tobacco derived products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.

- Main operational risks may occur are related to theft of tobacco in facilities and during transport associated to increases in insurance premiums, as well as to technological risks associated to the lack of (or faulty) availability of the Information System.

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

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

- Safeguarding of assets: the Group's Financial Directorate has as one of its main objectives to safeguard the Group's assets value in all business units and countries where it operates (Spain, France, Italy, Portugal and Poland, mainly) through the risk analysis and prevention and optimizing the management of the main claims. The financial department analyses the accidental risks, which could affect the Logista Group, in its assets and also in its activity, and according to these risks, establishes the external insurance coverage contracts which considers necessary. Related to the high Goodwills, impairment tests are carried out according to International Accounting Standards in the Group.

- Credit risk: In general, the Group deposits its cash and cash equivalents in entities holding a high credit rating. The Group presents as well an exposure to credit or counterparty risk with Imperial Brands by virtue of the subscribed treasury agreements.

- The Group controls the insolvency and delinquency risks establishing credit limits and through the establishment of demanding conditions in respect to collection periods; that commercial risk is spread among a high number of clients with short collection periods, being the main Group's clients: newsstands and tobacconists. So, the credit risk exposure to third parties is not very significant, and the Group has, always if considered, Insurance Policies to mitigate the impact of possible defaults, although this default rate in all geographies in which the Group operates is very low.

- The Group estimates that at 30 September 2018 the level of exposure to credit risk of its financial assets is not significant.

- With regard to liquidity risk, the Group maintains enough cash and cash equivalents to face the payments derived from its usual activities. Also, if punctually financing is required, the Group has available credit lines.

- Respect the exposure to interest rate risk, considering the low level of the Group's financial debt, the Management of the Parent Company considers the impact from a potential increase in interest rates which could have in the consolidated annual accounts is not significant.

- Also, the level of exposure to the net equity and the P&L account in terms of future changes in the current exchange rates is not relevant; due to the volume of transactions of the Group in non-Euro currencies is not significant.

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

- Changes in the payment cycle of the Group can obligate to seek out external financing sources to compliance its obligations: As any wholesale business, the payment cycles of the acquired products to manufacturers and the billing cycles of the points of sale do not match. Along with this, the payment by the Logista Group to Tax Authorities is made in a different cycle to the cycles corresponding to manufacturers and points of sale.

- On the other hand, the possibility of modifications in the tax regulation can impact directly in the results and cash management of the Group (excise duties, Corporate Income Tax, Personal Income Tax, etc.).

During the fiscal year 2018, 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. In addition, the Group faced the responsibility for settlement tax litigations, resolved against the Group, without relevant incidence in the results due to they were provisioned.

Associated risks and expected impacts on the business's strategy and activities due to the decision of UK to leave the European Union

The Group belongs to the Imperial Brands Group that has its registered office in the United Kingdom. In this sense, the Group has valuated the risks from the political and economic uncertainty and the high financial markets volatility derived from the result of the Brexit referendum, and the possible impact that it might occur.

As the Company has not significant investments, directly or indirectly, in foreign companies that operate in currency other than the euro, and does not carry out significant operations in countries with currency other than the euro, the possible effects from a cooling British economy might not have a highly impact in the development of the Logista Group's activities.

However, if United Kingdom leaves the EU implies the exit of European single market and, so, there is a restriction of the people, goods and capitals free movements; this fact might have an impact in the consumption patterns, specially the related to the tourism, although it is not expected a significant impact in the business's habitual operational.

On the other hand, the contribution of the share capital by the shareholder Imperial Brands, as well as the credit line that maintains with the majority shareholders is in euro currency. In that sense, the Company does not have any type of financing by its shareholder in euros or in sterling. Therefore, it is not impacted from interest rate variations.

Uncertainty on the European directives on taxation remains, pending of the impact assessment, as well as the application of EU freedoms that will ultimately depend of the exit model on the United Kingdom of the EU.

CORPORATE SOCIAL RESPONSIBILITY

Logista explains the Group's strategy in sustainability matters in the Annual Report on Corporate Social Responsibility 2018 that has been approved by the Company's Board of Directors in its meeting on October 30, 2018, following a report from the Audit and Control Committee as indicated in the Group's Policy on CSR approved in June 2016.

Below a brief summary of the more relevant aspects related to the environment, social matters and staff during the fiscal year 2018 is presented.

Environment

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

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

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

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

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

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

During the fiscal year 2018, the Logista Groups has significantly improved its efficiency ratio (-1.4% emissions per € and Km), although the increase in activity has involved raising its emissions in absolute terms.

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

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

Regarding this matter, the Group has significantly reduced its activities' waste and emissions by using and recovering reusable cardboard boxes, a system already implemented at the Logista centres in Spain, France, Italy and Portugal, as well as in its Nacex transport network.

The Group also gains efficiency and cuts emissions by the ongoing optimization of routes and the renewal of agreements with transport fleet including efficiency criteria. Thus, during the fiscal year 2018, it has carried out a test consisting in implementing devices at trucks for real-time monitoring of consumption, kilometres and efficiency parameters in driving.

Furthermore, the Group promotes that Nacex, Integra2 and Logesta increasingly raise the fleet of vehicles running on less polluting fuels.

By the end of 2017 CDP again included the Logista Group in the prestigious "A-List" group, highlighted as the only European distributor in the list and identifying Logista as a world leading company in managing climate change.

Logista has been also recognized as "CDP Supplier Leader 2018" for its performance in the "CDP´s Supply Chain Program", a program it participates in since 2010 responding to its main clients' requirements.

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

Logista is founding member, together with other Spanish companies, of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth or GECV), to work together and to transfer to the society and the Public Administration its vision on the sustainable economic growth model compatible with the efficient use of natural resources. During the fiscal year 2018, the GECV worked on the approval of the future "Ley de Cambio Climático" (Climate Change Act), aiming at setting a stable legal framework with a progressive and long-time energy transition approach.

Logista is part of the FTSE4Good index, created by the global indexes provider FTSE Russell and made up of companies proving solid environmental, social and corporate governance practices.

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

Social matters and about staff

Logista maintains an explicit commitment to the human rights defence and incorporates the principles of the United Nations Global Compact in developing its activity regarding human rights, labour, environment and anticorruption, with tools guarantying and promoting its protection and respect.

During the fiscal year 2018, the average staff increased to 5,802 employees (a 3.6% above the average staff during the previous fiscal year). 85% of the Group's employees were permanent, while the 15% of the employees were temporary. Regarding the gender, 63% of employees were men and the 37% female.

The Group's Code of Conduct expressly includes Logista's commitment to diversity, equal opportunities and non-discrimination, principles the Group promotes and are assumed by all employees. Logista guarantees the dissemination and knowledge of the Code of Conduct, which is also available in the Group's intranet.

In addition, the Company has established internal rules for the prevention of corruption and money laundering within the internal control framework and in line with the Group's compliance culture.

The Group also promotes supporting unfavoured groups with actions like recruiting groups with disabilities and in risk of exclusion with with the aim of helping them to enter the labour market.

The Group proactively manages labour Health and Safety to prevent damages on people, goods and the environment. It sets health improvement targets and goals, assesses the performance and applies the needed corrections to reach targets, defining verification, audit and control processes to assure them. The Group has continued to extend its OHSAS 18001:2007 certification, the international standard defining an organised management for preventing labour risks. Currently, 42% of all work centres and 43% of all Group employees are certified according to this benchmark International Standard.

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 R+D+i €6.0 million in fiscal year 2018. Most of these investments were made to an update of servers, the expansion of capacity and services in the Transport area and a part of the those necessary to ensure compliance to the requirements according to the European Union regulation on traceability, whose expected date of entry into force is May 2019.

TREASURY SHARES

At 30 September 2018, the Group held in its balance sheet 425,496 own-shares, representing the 0.32% of the Company's share capital. Own-shares were acquired in execution of the Share Buyback Program.

The Board of Directors, in its meeting of 25 September 2018, approved to extend again the Share Buyback Program of the Company – that was initially agreed by the Board of Directors of January 29, 2015, and extended and renewed for the last time on November 28, 2017–, pursuant to the authorization granted by the General Shareholders' Meeting of March 21st, 2018, to allocate them or use them to the delivery to the Beneficiaries of the 2014 and 2017 General and Special Plans in Performance Shares.

USE OF DERIVATIVE FINANCIAL INSTRUMENTS

No Group company uses derivative financial instruments.

Appendix

Alternative Performance Measures

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

  Management believes that gross profit is a meaningful measure of the fee revenue we generate from performing our distribution services and provides a useful comparative measure to investors to assess our financial performance on an on-going basis.

	Million Euros	
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017
Revenue	9,476.5	9,493.2
Procurements	(8,358.3)	(8,443.5)
Gross Profit	**1,118.2**	**1,049.7**

- **Adjusted Operating Profit (Adjusted EBIT):** This item is calculated, fundamentally, discounting from the Operating Profit those costs that are not directly related to the revenue obtained by the Group in each period, facilitating the performance of the Group's operating costs and margins.

  The Adjusted Operating Profit (Adjusted EBIT) is the main indicator used by the Group's Management to analyse and measure the progress of the business.

	Million Euros	
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017
Adjusted Operating Profit	245.9	218.8
(-) Restructuring Costs	(3.6)	(9.0)
(-) Amortization of Assets Logista France	(52.3)	(52.2)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	(0.5)	(0.3)
(+/-) Share of Results of Companies and Others	1.0	0.7
Profit from Operations	**190.5**	**158.0**

- **Adjusted Operating Profit margin over Economic Sales:** calculated as Adjusted Operating Profit divided by Economic Sales (or indistinctly, Gross Profit).

  This ratio is the main indicator used by the Group's Managements to analyse and measure the performance of the profitability obtained by the Group's typical activity in a period.

	Million Euros		
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017	% Change
Economic Sales	1,118.2	1,049.7	6.5%
Adjusted Operating Profit	245.9	218.8	12.4%
Margin over Economic Sales	**22.0%**	**20.8%**	**+120 b.p.**

- **Operating costs:** this term is composed by the costs of logistics networks, commercial expenses, research expenses and head offices expenses that are directly related to the revenue obtained by the Group in each period. It is the main figure used by the Group's Management to analyse and measure the performance of the costs structure. It does not include restructuring costs and amortization of assets derived from the Logista France acquisition, due to they are not directly related to the revenues obtained by the Group in each period.

Reconciliation with Annual Accounts:

	Million Euros	
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017
Cost of logistics network	780.6	744.0
Commercial expenses	67.2	65.9
Research expenses	2.1	2.1
Head office expenses	78.3	80.2
(-) Restructuring costs	(3.6)	(9.0)
(-) Amortization of Assets Logista France	(52.3)	(52.2)
Operating Costs or Expenses in management accounts	**872.3**	**830.9**

- **Non-recurring expenses:** refers those expenses that, although they might occur in more than one period, do not have a continuity in time (as opposed to operating expenses) and affect only the accounts in a specific moment.

  This magnitude helps the Group's Management to analyse and measure the performance of the Group's activity in each period.

- **Recurring operating expenses:** this term refers to those expenses occurred continuously and allow to sustain the Group's activity. They are estimated from the total operating costs less the non-recurring costs defined in the previous point.

  This magnitude helps the Group's Management to analyse and measure the performance of efficiency in the activities carried out by the Group.

	Million Euros	
	1 Oct. 2017 – 30 Sept. 2018	1 Oct. 2016 – 30 Sept. 2017
Operating costs or expenses	872.3	830.9
Non-recurring costs	0	(6.8)
Recurring operating expenses	**872.3**	**824.1**

- **Restructuring costs:** are the costs incurred by the Group to increase the operating, administrative or commercial efficiency in our company, including the costs related to the reorganization, dismissals and closes or transfers of warehouses or other facilities.

- **Non-recurring results:** refers to the results of the year that do not have a continuity during the year and affect the accounts in a specific moment. It is included in the Operating Profit.

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