

**DECLARATION OF RESPONSIBILITY ON THE CONTENT OF THE  
ANNUAL FINANCIAL REPORT**

Members of Board of Directors of Distribución Integral Logista Holdings, S.A. declare that, to the best of their knowledge, the annual financial statements for 2019 (1 October 2018 - 30 September 2019), individual and consolidated, formulated by the Board of Directors at its meeting of October 29, 2019 and prepared in accordance with accounting principles that are applicable, provide a true and fair view of the equity, financial position and results of Compañía de Distribución Integral Logista Holdings, SA, as well as of the subsidiaries included in the consolidation taken as a whole, and that Directors' report, individual and consolidated (which include the non-financial information statement), include a fair analysis of the performance and results and the position of Compañía de Distribución Integral Logista Holdings, SA and of the subsidiaries included in the consolidation taken as a whole, as well as a description of the main risks and uncertainties they face.

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D. Gregorio Marañón y Bertrán de Lis  
Chairman

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D. Luis Egido Gálvez  
Chief Executive

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Mr. Alain Minc  
Director

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D<sup>a</sup>. Cristina Garmendia Mendizábal  
Director

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D. Jaime Carvajal Hoyos  
Director

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Mr. John Matthew Downing  
Director

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Mr. Richard Guy Hathaway  
Director

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Mr. Amal Pramanik  
Director

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Mr. John Michael Jones  
Director

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

Leganés, 29 October 2019

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

*Independent Auditors' Report,  
Consolidated Financial Statements  
and Consolidated Directors' Report  
for the year ended 30 September 2019*

*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*

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#### *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 2019, 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 ("2019").

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 2019, 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.

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#### *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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Madrid Mercantile Register, page 87,250-1, sheet 75, volume 9,267, book 8,054, section 3  
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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
<p><i>Recognition of tobacco sales revenue</i></p> <p>Tobacco sales, which represent 95% of the Group's total sales, relate to the goods delivered, net of discounts, VAT, excise duties on tobacco products and other sales-related taxes.</p> <p>Although the recognition of this revenue, under the Group's habitual terms and conditions, is not complex, it does involve the consideration of specific circumstances associated with the various conditions agreed with manufacturers and with the taxes and levies applicable in each jurisdiction.</p> <p>There is an inherent risk associated with the timing of the recognition of this revenue, which depends on the distribution channels involved, the contractual terms and conditions under which the goods are sold, and the impacts that regulatory changes might have on sales (VAT, excise duties, vendor's commissions, etc.).</p> <p>Accordingly, this matter was a key area in our audit.</p>	<p>Our audit procedures included checking the effectiveness of the controls over the sales-accounts receivable process and substantive procedures such as:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Analysing whether the revenue is properly recognised, taking into account the contractual terms and obligations vis-à-vis manufacturers and customers.</li> <li>• Evaluating the reasonableness of the sales volumes and margins for 2019 with respect to the trends in previous years, and checking these data against the information furnished by internal Group and external sources.</li> <li>• Performing tests of details on a sample of recognised sales.</li> <li>• 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.</li> </ul> <p>No material exceptions or misstatements were observed as a result of our procedures.</p> <p>Notes 4.15, 23.a and 24 to the accompanying consolidated financial statements contain the disclosures and information relating to the Group's tobacco sales revenue.</p>

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Legal proceedings</i></p> <p>As detailed in Note 22 to the accompanying consolidated financial statements, the Group is involved in the following legal proceedings:</p> <ul style="list-style-type: none"> <li>• Proceeding relating to the Spanish National Markets and Competition Commission Decision of 10 April 2019 in relation to the enforcement proceedings concerning an alleged exchange by certain tobacco manufacturers of information on the sale of cigarettes from 2008 to 2017.</li> <li>• Proceeding relating to the tax ("social contribution") levied in France on tobacco suppliers' sales for 2017 and 2018 in which on 15 October 2019 the Paris Commercial Court handed down its first-instance decision on the claim brought by one of the tobacco manufacturers.</li> </ul> <p>Note 22 to the accompanying consolidated financial statements discloses the amounts and significant information relating to these legal proceedings. Based on the information available, and supported by its legal advisers, the Parent's directors have assessed the risk associated with each proceeding and they do not consider it likely that the final decisions handed down thereon will give rise to a negative impact on the Group's equity position as at 30 September 2019. The final outcomes of these legal proceedings and, therefore, the ultimate impacts on the Group's equity position are uncertain. As a result, the Parent's directors made significant judgements and estimates when conducting their assessment. Consequently, we consider this area to be a key audit matter.</p>	<p>In response to this key audit matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the processes conducted by the Group to assess and classify the risk associated with the legal proceedings and the potential attendant impact on the consolidated financial statements.</li> <li>• Review of the relevant supporting documentation (legal and regulatory documents and agreements) on which the Group's legal position and the conclusions of the Parent's directors concerning the legal proceedings are based.</li> <li>• Obtainment of letters from the external legal advisers detailing the criteria and grounds for their conclusions concerning the legal proceedings that management used as support in order to draw conclusions on the assessment of the risk associated with each proceeding. Meetings were also held with those in charge of the Group's legal area and its legal advisers in order to obtain a greater understanding of their risk assessment.</li> <li>• Involvement of our legal experts, where deemed necessary, to evaluate the reasonableness of certain legal matters taken into consideration in the assessment by the Parent's directors with support from the external legal advisers.</li> </ul> <p>We consider that Note 22 to the accompanying consolidated financial statements contains the disclosures and information relating to this area of interest</p>



## 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 2019 includes goodwill amounting to EUR 921 million resulting from corporate acquisitions, and other intangible assets with finite useful lives amounting to EUR 420 million, mainly associated with the distribution agreements with the main tobacco manufacturers in France.

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.

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.

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.

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.

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.

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.

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.

Notes 7 to the accompanying consolidated financial statements contain 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.

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### *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 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

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### *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.



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*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.

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.



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

Consolidated financial statements  
for the year ended 30 September  
2019 and consolidated  
Management 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 14). In the event of a discrepancy, the Spanish-language version prevails.*

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

### CONSOLIDATED BALANCE SHEETS AT 30 SEPTEMBER 2019 AND 2018

(Thousands of Euros)

ASSETS	Notes	30-09-2019	30-09-2018	EQUITY AND LIABILITIES	Notes	30-09-2019	30-09-2018
<b>NON-CURRENT ASSETS:</b>		<b>1,643,821</b>	<b>1,672,921</b>			<b>520,346</b>	<b>511,608</b>
Property, plant and equipment	Note 6	213,492	203,531	Share capital	Note 13	26,550	26,550
Investment property		15,343	17,999	Share premium	Note 14	867,808	867,808
Goodwill	Note 7	920,800	920,800	Reserves of the Parent	Note 14	35,431	25,594
Other intangible assets	Note 8	457,050	505,210	Reorganisation reserves	Note 14	(753,349)	(753,349)
Investments in associates		2,715	2,118	Reserves at consolidated companies	Note 15	216,482	221,370
Other non-current financial assets	Note 9	15,390	4,634	Translation differences		(48)	35
Deferred tax assets	Note 19	19,031	18,629	Reserve for first-time application of IFRSs	Note 14	19,950	19,950
				Consolidated profit for the period		164,626	156,706
				Interim dividend	Note 14	(48,938)	(46,314)
				Treasury shares	Note 14	(9,893)	(8,348)
				Equity attributable to shareholders of the Parent		518,619	510,002
				Minority interests	Note 16	1,727	1,606
<b>CURRENT ASSETS:</b>		<b>5,439,728</b>	<b>5,192,256</b>			<b>308,876</b>	<b>322,750</b>
Inventories	Note 10	1,282,754	1,188,543	<b>NON-CURRENT LIABILITIES:</b>			
Trade and other receivables	Note 11	1,913,694	1,846,246	Other financial non-current liabilities		3,305	4,146
Tax receivables	Note 19	19,680	83,533	Long-term provisions	Note 18	40,688	38,931
Other current financial assets	Note 9	2,050,521	1,910,934	Deferred tax liabilities	Note 19	264,883	279,673
Cash and cash equivalents	Note 12	160,650	153,515				
Other current assets		12,429	9,485	<b>CURRENT LIABILITIES:</b>		<b>6,254,345</b>	<b>6,030,832</b>
				Other current financial liabilities	Note 20	37,551	32,850
				Trade and other payables	Note 21	1,274,059	1,021,403
				Tax payables	Note 19	4,853,395	4,897,920
				Short-term provisions	Note 18	11,694	11,583
<b>NON-CURRENT ASSETS HELD FOR SALE</b>		<b>18</b>	<b>13</b>	Other current liabilities		77,646	67,076
<b>TOTAL ASSETS</b>		<b>7,083,567</b>	<b>6,865,190</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,083,567</b>	<b>6,865,190</b>

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated balance sheet at 30 September 2019.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

**CONSOLIDATED INCOME STATEMENTS  
FOR THE YEARS ENDED 30 SEPTEMBER 2019 AND 2018**  
(Thousands of Euros)

	Notes	2019	2018
<b>Revenue</b>	<b>Note 23.a</b>	<b>10,148,323</b>	<b>9,476,484</b>
<b>Procurements</b>		<b>(8,999,337)</b>	<b>(8,358,300)</b>
<b>GROSS PROFIT</b>		<b>1,148,986</b>	<b>1,118,184</b>
<b>Cost of logistics networks:</b>		<b>(798,511)</b>	<b>(780,590)</b>
Staff costs	<b>Note 23.b</b>	(186,335)	(174,671)
Transport costs		(249,247)	(241,044)
Provincial sales office expenses		(78,259)	(77,339)
Depreciation and amortisation charge	<b>Notes 4.2, 6 and 8</b>	(87,368)	(86,193)
Other operating expenses	<b>Note 23.c</b>	(197,302)	(201,343)
<b>Commercial expenses:</b>		<b>(70,358)</b>	<b>(67,214)</b>
Staff costs	<b>Note 23.b</b>	(46,076)	(44,136)
Other operating expenses	<b>Note 23.c</b>	(24,282)	(23,078)
<b>Research expenses</b>		<b>(2,693)</b>	<b>(2,071)</b>
<b>Head office expenses:</b>		<b>(79,105)</b>	<b>(78,344)</b>
Staff costs	<b>Note 23.b</b>	(58,141)	(58,299)
Depreciation and amortisation charge	<b>Notes 4.2, 6 and 8</b>	(1,541)	(1,878)
Other operating expenses	<b>Note 23.c</b>	(19,423)	(18,167)
Share of results of companies		1,249	1,014
Net gain on disposal and impairment of non-current assets	<b>Notes 4.2, 6 and 8</b>	4,772	(504)
Other expenses		(14)	-
<b>PROFIT FROM OPERATIONS</b>		<b>204,326</b>	<b>190,475</b>
Finance income	<b>Note 23.e</b>	15,012	14,275
Finance costs	<b>Note 23.f</b>	(2,239)	(1,587)
<b>PROFIT BEFORE TAX</b>		<b>217,099</b>	<b>203,163</b>
Income tax	<b>Note 19</b>	(52,337)	(46,707)
<b>PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>164,762</b>	<b>156,456</b>
<b>PROFIT FOR THE PERIOD</b>		<b>164,762</b>	<b>156,456</b>
<b>Attributable to:</b>			
Shareholders of the Parent-		164,626	156,706
Minority interests	<b>Note 16</b>	136	(250)
<b>BASIC EARNINGS PER SHARE</b>	<b>Note 5</b>	<b>1.24</b>	<b>1.18</b>

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated income statements for 2019.



Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

### **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** **FOR THE YEARS ENDED 30 SEPTEMBER 2019 AND 2018**

(Thousands of Euros)

	Notes	2019	2018
<b>PROFIT FOR THE YEAR</b>		<b>164,762</b>	<b>156,456</b>
<i>Items that may be reclassified to income statement</i>			
Net actuarial gain (loss) recognised directly in equity	<b>Note 18</b>	(3,248)	234
<i>Items that will not be reclassified to income statement</i>			
Foreign exchange rate changes		(83)	(55)
<b>TOTAL NET GAIN (LOSS) REGISTERED DIRECTLY IN EQUITY</b>		<b>(3,331)</b>	<b>179</b>
<b>TOTAL NET GAIN (LOSS) CONSOLIDATED REGISTERED DURING THE YEAR</b>		<b>161,431</b>	<b>156,635</b>
<b>Attributable to:</b>			
Shareholders of the Parent		<b>161,295</b>	<b>156,885</b>
Minority interests		<b>136</b>	<b>(250)</b>
<b>TOTAL ATTRIBUTABLE</b>		<b>161,431</b>	<b>156,635</b>

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of comprehensive income for 2019.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31).  
In the event of a discrepancy, the Spanish-language version prevails.

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED 30 SEPTEMBER 2019 AND 2018**

(Thousands of Euros)

	Share Capital	Share Premium	Reserves of the Parent	Reorganisation Reserves	Reserves at Consolidated Companies	Translation Differences	Reserve for First-Time Application of IFRSs	Profit for the Year	Interim Dividend	Treasury Shares	Equity Attributable to Shareholders of the Parent	Minority Interests	Total Equity
<b>BALANCE AT 30 SEPTEMBER 2017</b>	<b>26,550</b>	<b>867,808</b>	<b>16,706</b>	<b>(753,349)</b>	<b>216,374</b>	<b>90</b>	<b>19,950</b>	<b>153,862</b>	<b>(39,708)</b>	<b>(7,716)</b>	<b>500,567</b>	<b>1,866</b>	<b>502,433</b>
Net profit for 2018 attributable to the Parent	-	-	-	-	-	(55)	-	156,706	-	-	156,651	-	156,651
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	-	(250)	(250)
Actuarial losses	-	-	-	-	234	-	-	-	-	-	234	-	234
Income and expenses recognised in the period	-	-	-	-	234	(55)	-	156,706	-	-	156,885	(250)	156,635
Transactions with Shareholders:													
Distribution of profit-													
To reserves	-	-	10,142	-	4,762	-	-	(14,904)	-	-	-	-	-
To dividends	-	-	-	-	-	-	-	(138,958)	39,708	-	(99,250)	-	(99,250)
Dividends	-	-	-	-	-	-	-	-	(46,314)	-	(46,314)	-	(46,314)
On treasury shares operations (Note 14.b and 14.f)	-	-	(4,092)	-	-	-	-	-	-	(632)	(4,724)	-	(4,724)
Incentive Plan (Note 4.12)	-	-	2,838	-	-	-	-	-	-	-	2,838	-	2,838
Others	-	-	-	-	-	-	-	-	-	-	-	(10)	(10)
<b>BALANCE AT 30 SEPTEMBER 2018</b>	<b>26,550</b>	<b>867,808</b>	<b>25,594</b>	<b>(753,349)</b>	<b>221,370</b>	<b>35</b>	<b>19,950</b>	<b>156,706</b>	<b>(46,314)</b>	<b>(8,348)</b>	<b>510,002</b>	<b>1,606</b>	<b>511,608</b>
Adjustment IFRS 9 first adoption	-	-	-	-	-	(56)	-	-	-	-	(56)	-	(56)
<b>BALANCE AT 1 OCTOBER 2018</b>	<b>26,550</b>	<b>867,808</b>	<b>25,594</b>	<b>(753,349)</b>	<b>221,314</b>	<b>35</b>	<b>19,950</b>	<b>156,706</b>	<b>(46,314)</b>	<b>(8,348)</b>	<b>509,946</b>	<b>1,606</b>	<b>511,552</b>
Net profit for 2019 attributable to the Parent	-	-	-	-	-	(83)	-	164,626	-	-	164,543	-	164,543
Loss attributable to minority interests	-	-	-	-	-	-	-	-	-	-	-	136	136
Actuarial losses	-	-	-	-	(3,248)	-	-	-	-	-	(3,248)	-	(3,248)
Income and expenses recognised in the period	-	-	-	-	(3,248)	(83)	-	164,626	-	-	161,295	136	161,431
Transactions with Shareholders:													
Distribution of profit-													
To reserves	-	-	10,164	-	(1,614)	-	-	(8,550)	-	-	-	-	-
To dividends (Note 14.e)	-	-	-	-	-	-	-	(148,156)	46,314	-	(101,842)	-	(101,842)
Dividends (Note 14.e)	-	-	-	-	-	-	-	-	(48,938)	-	(48,938)	-	(48,938)
On treasury shares operations (Note 14.b and 14.f)	-	-	(3,325)	-	-	-	-	-	-	(1,545)	(4,870)	-	(4,870)
Incentive Plan (Note 4.12)	-	-	2,998	-	-	-	-	-	-	-	2,998	-	2,998
Others	-	-	-	-	30	-	-	-	-	-	30	(15)	15
<b>BALANCE AT 30 SEPTEMBER 2019</b>	<b>26,550</b>	<b>867,808</b>	<b>35,431</b>	<b>(753,349)</b>	<b>216,482</b>	<b>(48)</b>	<b>19,950</b>	<b>164,626</b>	<b>(48,938)</b>	<b>(9,893)</b>	<b>518,619</b>	<b>1,727</b>	<b>520,346</b>

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated statement of changes in equity for 2019.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

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

### **CONSOLIDATED STATEMENTS OF CASH FLOWS** **FOR THE YEARS ENDED 30 SEPTEMBER 2019 AND 2018** (Thousands of Euros)

	Notes	2019	2018
<b>OPERATING ACTIVITIES:</b>		<b>346,819</b>	<b>347,539</b>
<b>Consolidated profit before tax from continuing operations</b>		<b>217,099</b>	<b>203,163</b>
<b>Adjustments for-</b>		<b>94,079</b>	<b>92,117</b>
Result of companies accounted for using the equity method		(1,249)	(1,014)
Depreciation and amortisation charge	Notes 6 and 8	89,152	88,184
Change in provisions		1,423	-
Provisions recognised/ (reversed)		19,249	14,368
Proceeds from disposal of non-current assets	Notes 6 and 8	(4,772)	504
Other adjustments		3,049	2,763
Financial profit		(12,773)	(12,688)
<b>Net change in assets / liabilities-</b>		<b>35,641</b>	<b>52,259</b>
(Increase)/Decrease in inventories		(97,258)	(68,720)
(Increase)/Decrease in trade and other receivables		(80,615)	(103,942)
Increase/(Decrease) in trade payables		249,758	(2,309)
Increase/(Decrease) in other current liabilities		(41,758)	312,779
Increase (Decrease) in other non-current liabilities		(2,845)	(1,702)
Income tax paid		(5,837)	(96,535)
Finance income and costs		14,196	12,688
<b>INVESTING ACTIVITIES:</b>		<b>(190,281)</b>	<b>(145,952)</b>
<b>Payment for investment-</b>		<b>(195,560)</b>	<b>(146,794)</b>
Property, plant and equipment	Note 6	(42,999)	(44,023)
Intangible assets	Note 8	(11,073)	(12,107)
Group companies and associates		(141,192)	(90,010)
Other current financial assets		(296)	(654)
<b>Proceeds from financial divestments-</b>		<b>5,279</b>	<b>842</b>
Property, plant and equipment	Note 6	500	788
Intangible assets		-	54
Non current assets held for sale		4,779	-
<b>FINANCING ACTIVITIES:</b>		<b>(149,403)</b>	<b>(149,880)</b>
<b>Payment of dividends and remuneration of other equity instruments-</b>		<b>(150,781)</b>	<b>(145,564)</b>
Dividends	Note 14.e	(150,781)	(145,564)
<b>Proceeds and payments of equity instruments-</b>		<b>(3,554)</b>	<b>(3,366)</b>
Acquisition of treasury shares		(3,554)	(3,366)
<b>Proceeds and payments for financial liability instruments-</b>		<b>4,932</b>	<b>(950)</b>
Repayment and amortization of-			
Current borrowings		4,932	(950)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>7,135</b>	<b>51,707</b>
<b>Cash and cash equivalents at beginning of year-</b>		<b>153,515</b>	<b>101,808</b>
Net change in cash and cash equivalents during the year		7,135	51,707
<b>Total cash and cash equivalents at end of year</b>		<b>160,650</b>	<b>153,515</b>

The accompanying Notes 1 to 31 and Appendix I and II are an integral part of the consolidated cash flow statement for 2019.



*Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.*

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

Notes to the annual consolidated financial statements for the year ended 30 September 2019

### **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 PLC Group. 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 2018 will hereinafter be referred to as "2018", the period ended 30 September 2019 as "2019", 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 2019 and 2018 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 PLC Group, which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Brands PLC Group for 2018 were formally prepared by its Directors at the Board of Directors meeting held on 6 November 2018.

## **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 2019. These consolidated financial statements were formally prepared by the Board of Directors at its meeting on 29 October 2019. 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 2018 were formally approved by the General Shareholders' Meeting on 26 March 2019.

The principal accounting policies and measurement bases applied in preparing the Group's consolidated financial statements for 2019 are summarised in Note 4.

### **2.2 Standards and interpretations effective in the current period**

In the year ended 30 September 2019 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
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
Annual Improvements to IFRS Standards 2014-2016 Cycle	Minor changes to a series of standards.	1 January 2018

Amendments to Standards	Content	Obligatory Application in Annual Reporting Periods Beginning On or After
Amendment to IAS 40 Real Estate Investment Reclassification	The modification clarifies that a reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use	1 January 2018
Amendment to IFRS 4 Insurance contracts	Allows entities under the scope of IFRS 4, the option to apply IFRS 9 with certain exceptions or its temporary exemption.	1 January 2018
IFRIC 22 Transactions and advances in foreign currency	Establishes the date of transaction for the purpose of determining the exchange rate applicable in transactions with advances in foreign currency	1 January 2018

On 1 January 2018 the new IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers entered into force, which introduce changes in the accounting policies applied until that moment:

#### *IFRS 9 – Financial Instruments*

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

In accordance with the transitional provisions of the standard, the Group has chosen the option allowing not to restate the 2018 figures presented for comparative purposes. The main impact of IFRS 9 on the Group was the recognition in the balance of the correction for impairment of other financial assets amounting to EUR 1,423 thousand (see Note 9).

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.

#### *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.

In accordance with the transitional provisions of the standard, the Group has chosen the option that allows it not to restate the 2018 figures presented for comparative purposes. 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, the Group has concluded that its entry into force did not have a material effect on the consolidated financial statements.



In relation to the other standards indicated with effect from 1 October 2018, its application has not had a significant impact for the Group.

### 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 16 Leases (published in January 2016)	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)	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)	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
Amendments to IFRS 3, Definition of a Business (a)	The amendment narrowed and clarified the definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of "Material" (a)	IAS 1 and IAS 8 amendments to its definition of material to make it easier for companies to make materiality judgements.	1 January 2020
Amendments to IAS 9, IAS 7 and IAS 39 "Interest Rate Benchmark Reform"	The topic of these Amendments are Interest Rate Benchmark Reform	1 January 2020
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 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 acts as a lessee in a very large number of lease agreements on various assets, mainly: warehouses, office buildings and transport elements. Under current standards, a significant part of these contracts is classified as an operating lease, with the corresponding payments being recorded on a linear basis over the term of the contract, generally.

The Group is currently in the process of estimating the impact of this new standard on these contracts. This analysis includes the estimation of the lease term, based on the non-cancelable period and the periods covered by the renewal options whose exercise is discretionary for the Group and it is considered reasonably true. Additionally, assumptions are used to calculate the discount rate, which will depend mainly on the incremental debt rate of the Group according to the interest at the European Central Bank interest rate, plus a spread from 0.75% up to 2%. On the other hand, the Group will choose not to separately record the components that are non-lease components from those that they are, for those asset classes in which the relative importance of the non-lease components is not significant with respect to the total value of the lease.

IFRS 16 allows its application through two different transition methods, with a retroactive approach for each comparative period presented or a retroactive approach with the cumulative effect of the initial application of the standard on the date of its first application, not re-expressing the comparative figures. The Group will adopt this second transition method, so it will recognize the cumulative effect of the initial application of the new criteria in the first year of adoption of IFRS 16. Additionally, the new standard allows for certain practical solutions at the time of first application, relating to the valuation of the asset, discount rate, leases that end within twelve months after the first application, initial direct costs, and duration of the lease. The Group is evaluating which of these practical solutions will be adopted in each case.

Due to the different alternatives available, and considering the complexity of the estimates and the high number of contracts, the Group has not yet completed the implementation process. However, considering the volume of contracts affected, as well as the magnitude of the payments committed for rentals, the Group estimates that the amendments introduced by IFRS 16 will have a significant impact on the Group's financial statements from the date of adoption, including the recognition in the balance of the assets for right of use and the corresponding obligations in relation to most of the contracts that under current regulations are classified as operating leases. From the analysis performed, considering the current assumptions that result from application and based on the information available at the date of formulation of these interim financial statements, the Group estimates that the lease liability and the right of use to recognize as of 1 October 2019, date of first application of the standard, will be in an approximate EUR 170 million.

In addition, the depreciation of the right of use of the assets and the recognition of interest on the lease obligation will replace a significant part of the amount recognized in the income statement as operating lease expense under the current standard. The classification of lease payments in the statement of cash flows will be affected by the entry into force of this new regulation. The Group's financial statements will include more extensive disclosures with relevant information in relation to lease agreements

The Group is at a very advanced stage of the project to implement the new accounting policies; however, the impacts at 1 October 2019 could be slightly different due to the estimates required, the high number of leases concerned and the fact that the Group is in the process of implementing new information systems. The new accounting policies will not be definitive until the Group presents the first financial statements subsequent to the effective date of IFRS 16.

## **2.4 Information relating to 2018**

As required by IAS 1, the information relating to 2018 contained in these notes to the consolidated financial statements is presented with the information relating to 2019 for comparison purposes and, accordingly, it does not constitute the Group's consolidated financial statements for 2018.

## **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 2019, 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 litigations and 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 2019 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 2019 all of the Logista Group companies presented their financial statements in euros, except for Compañía de Distribución Integral Logista Polska, Sp. z o.o. and Logesta Polska Sp., z.o.o. (both located in Poland).

#### *2.7.5 Changes in the scope of consolidation and in the ownership interests*

The most significant changes in the scope of consolidation in 2019 are as follows:

On 14 March 2019 the subsidiary José Costa & Rodrigues, Lda. was merged by absorption into MIDSID – Sociedade Portuguesa de Distribuição, S.A., which gave rise to the dissolution of the former and transfer of the equity of José Costa & Rodrigues, Lda. to MIDSID – Sociedade Portuguesa de Distribuição, S.A., the absorbing company.

On 27 March 2019 the Extraordinary General Meeting of Logista Publicaciones approved the merger by absorption of the subsidiary Compañía de Integral Distribución de Publicaciones, S.L.U. (absorbing company) and Distribérica, S.A.U. (absorbed company), without liquidation and transmitting in block the equity from the absorbed to the absorbing company, which will be subrogated in all the rights and obligations. As a result, Distribérica, S.A.U. was declared dissolved and extinguished, without liquidation.

There were no changes in the scope of consolidation in 2018.

### **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 2019, amounting to EUR 165,539 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	9,074
Dividends	107,527
Interim dividend (Note 14-e)	48,938
	<b>165,539</b>

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 23 July 2019 the Parent had EUR 102 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 115 million) of which the Parent has drawn down EUR 13 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 2019 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 2019, the investment property registered in the consolidated balance's amortisation amounted to EUR 317 thousand (2018: EUR 421 thousand). In addition, in 2019, EUR 243 thousand of amortisation of related elements are registered under "Research expenses" in the consolidated statements (2018: EUR 113 thousand).

Additionally, in 2019 a warehouse in Sintra (Portugal) was sold with a net book value of EUR EUR 2,384 thousand, which generated a positive impact of EUR 2,472 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 5.7% to 8.0% in 2019 (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 twelve months are classified as current items and those due to be realised or settled or maturing within more than twelve 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 2019 and 30 September 2018 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 2,079 thousand and EUR 2,586 thousand in 2019 and 2018 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 1.5% and an annual discount rate of 0.9% 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 corporated management estimated 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 2,933 thousand.

In order to cater for the equity-settled long-term 2014 incentive plan, and the 2017 incentive plan, by virtue of the authorisation granted by the Board of Directors, the Group acquired 747,461 treasury shares for EUR 15,110 thousand (see Note 14-f).

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 2019 amounted to EUR 2,998 thousand related to the third tranche of the 2014 Incentive Plan and to the first and second tranche of the 2017 Incentive Plan (2018: EUR 2,838 thousand relating to the second and third tranche of the 2014 Incentive Plan and first tranche of the 2017 Incentive Plan).

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.

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 tranche of the "2017 Long-Term Incentive Plan".

On 29 January 2019, the Board of Directors approved the settlement of the Second Vesting Period (2015-2018) of the General Plan and of the 2014 Special Plan. The settlement gave rise to the delivery of a total of 158,699 shares amounting to EUR 2,010 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding.

Lastly, on 24 September 2019, the Parent's Board of Directors extended to 1 October 2020 the Parent's Extended Share Repurchase Programme (up to 681,013 shares, i.e. 0.51% of the share capital), in order to assign the repurchased shares to the third tranche of the "2014 Long-Term Incentive Plan" and to the first and second tranche of the "2017 Long-Term Incentive Plan".

#### **4.13 Provisions and contingent liabilities**

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.

Contingent liabilities represent potential obligations to third parties and existing obligations that are not recognised, given that it is not likely that an outflow of cash will be required to satisfy that obligation or, where applicable, the amount cannot be reasonably estimated. Contingent liabilities are not recognised in the consolidated statement of financial position unless they have been acquired in return for payment as part of a business combination.

#### **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 30,777,519 thousand in 2019 and EUR 30,192,515 thousand in 2018.

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

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

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

#### **4.16 Income tax**

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

	2019	2018
Net profit for the year (thousands of euros)	164,626	156,706
Weighted average number of shares issued (thousands of shares) (*)	132,269	132,336
<b>Earnings per share (euros)</b>	<b>1.24</b>	<b>1.18</b>

(\*) On 30 September 2019, the Parent Company holds 486,013 own shares.

At 30 September 2019 and 2018, 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 1.24 per share (EUR 1.18 at 30 September 2018).

#### **6. Property, plant and equipment**

##### **6.1 Property, plant and equipment**

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2019 and 2018 were as follows:

## 2019

	Thousands of Euros				
	Balance at 30/09/18	Additions or Charge for the Year	Disposals or Reductions	Transfers (Note 8)	Balance at 30/09/19
Cost:					
Land and buildings	223,348	105	(261)	827	224,019
Plant and machinery	196,478	10,603	(7,815)	23,155	222,421
Other fixtures, tools and furniture	150,280	5,893	(6,876)	9,709	159,006
Other items of property, plant and equipment	36,366	209	(3,646)	1,507	34,436
Property, plant and equipment in the course of construction	32,900	24,115	-	(37,405)	19,610
	639,372	40,925	(18,598)	(2,207)	659,492
Accumulated depreciation:					
Buildings	(115,197)	(4,423)	180	(40)	(119,480)
Plant and machinery	(152,646)	(13,208)	2,842	157	(162,855)
Other fixtures, tools and furniture	(122,633)	(6,473)	6,661	(4,368)	(126,813)
Other items of property, plant and equipment	(26,628)	(1,639)	2,675	(2,363)	(27,955)
	(417,104)	(25,743)	12,358	(6,614)	(437,103)
Impairment losses	(18,737)	(960)	3,932	6,868	(8,897)
	<b>203,531</b>	<b>14,222</b>	<b>(2,308)</b>	<b>(1,953)</b>	<b>213,492</b>

## 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)
	<b>187,620</b>	<b>19,234</b>	<b>(1,248)</b>	<b>(2,075)</b>	<b>203,531</b>

### Additions

In 2019 the Group recognised additions 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 and to the development of computer systems infrastructure and to the acquisition of new semitraillers and vending machines

The other most notable additions in 2019 and 2018 are mainly related to projects currently underway in relation to safety systems at the warehouses and the development of information systems.

### Disposals

In 2019 and 2018 the Group derecognised items no longer in use by the Group, many of which were fully depreciated.

### *Transfers*

In 2019 and 2018 items of plant, machinery and other fixtures were mainly 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 to "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 2019 amounted to EUR 317,762 thousand (EUR 303,369 thousand at 30 September 2018).

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 2019 and 2018, the items of property, plant and equipment located abroad, mainly in Portugal, France, Italy and Poland, amounted to EUR 77,575 thousand and EUR 74,793 thousand, respectively.

## **7. Goodwill**

### **Breakdown and significant changes**

The breakdown, by identified cash-generating unit, of "Goodwill" at 30 September 2019 and 2018 is as follows:

	Thousands of Euros	
	30-09-2019	30-09-2018
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	2,017
	<b>920,800</b>	<b>920,800</b>

### ***Italy, tobacco and related products***

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

### ***France, tobacco and related products***

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

### ***Iberia, transport***

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

### ***Iberia, 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 Distribuição, S.A. of all the shares representing the share capital of the acquired company. 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***

	2019		2018	
	Discount Rate	Growth Rate	Discount Rate	Growth Rate
Italy, tobacco and related products	8.00%	0.00%	7.80%	0.00%
France, tobacco and related products	5.70%	0.00%	6.50%	0.00%
Iberia, transport	6.40%	0.00%	6.20%	0.00%
Iberia, other business: Pharma	6.40%	0.00%	6.20%	0.00%
Iberia, tobacco and related products	8.00%	0.00%	7.80%	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 presented.
- 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 2020-2022	
	Sales	Procurements
Italy, tobacco and related products	8.1%	8.5%
France, tobacco and related products	(1.3%)	(1.4%)



In Italy, sales will perform positively as a result of the projected trend in tobacco prices and sales in order complementary business. 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 2020-2022 was estimated to be 7% 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 RRP, 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 2019 and 2018.

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, along with more restrictive commercial hypothesis. 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 2019 and 2018 were as follows:

### 2019

	Thousands of Euros				
	Balance at 30/09/2018	Additions or Charge for the Year	Disposals or Reductions	Transfer (Note 6)	Balance at 30/09/2019
Cost:					
I+D expenses	2,223	-	-	-	2,223
Computer software	187,434	359	(3,351)	16,692	201,134
Concessions, rights and licences	784,164	-	(53)	-	784,111
Advances and intangible assets in progress	11,678	10,714	-	(12,628)	9,764
	<b>985,499</b>	<b>11,073</b>	<b>(3,404)</b>	<b>4,064</b>	<b>997,232</b>
Accumulated amortisation-					
I+D expenses	(2,192)	-	-	-	(2,192)
Computer software	(163,225)	(10,985)	3,345	(2,199)	(173,064)
Concessions, rights and licences	(312,249)	(52,107)	53	-	(364,303)
	<b>(477,666)</b>	<b>(63,092)</b>	<b>3,398</b>	<b>(2,199)</b>	<b>(539,559)</b>
Impairment losses	(2,623)	-	-	2,000	(623)
	<b>505,210</b>	<b>(52,019)</b>	<b>(6)</b>	<b>3,865</b>	<b>457,050</b>

### 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:					
I+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
	<b>971,438</b>	<b>12,109</b>	<b>(6,598)</b>	<b>8,550</b>	<b>985,499</b>
Accumulated amortisation-					
I+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)
	<b>(420,969)</b>	<b>(62,967)</b>	<b>6,525</b>	<b>(255)</b>	<b>(477,666)</b>
Impairment losses	(2,623)	-	-	-	(2,623)
	<b>547,846</b>	<b>(50,858)</b>	<b>(73)</b>	<b>8,295</b>	<b>505,210</b>

### *Additions*

The additions to "Other intangible assets" in 2019 and 2018 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 2019 and 2018 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.

### *Impairment*

In 2019 and 2018 the Group did not recognise any impairment losses on items classified as "Other Intangible Assets".

### **Other information**

On 30 September 2019 and 2018, the intangible assets in use that were completely depreciated amounted to EUR 140,106 thousand and EUR 135,435 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 2019 and 2018 is as follows:

### **2019**

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
<b>Non-current:</b>					
Equity instruments	-	-	-	708	708
Financial debts (Note 18)	10,037	-	-	-	10,037
Other financial assets	162	-	4,483	-	4,645
	10,199	-	4,483	708	15,390
<b>Current:</b>					
Financial debts	29,565	2,022,227	-	-	2,051,792
Impairment of financial debts	-	(1,423)	-	-	(1,423)
Other financial assets	-	-	152	-	152
	29,565	2,020,804	152	-	2,050,521
	<b>39,764</b>	<b>2,020,804</b>	<b>4,635</b>	<b>708</b>	<b>2,065,911</b>

## 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
<b>Non-current:</b>					
Equity instruments	-	-	-	692	692
Financial debts	194	-	-	-	194
Other financial assets	-	-	3,748	-	3,748
	194	-	3,748	692	4,634
<b>Current:</b>					
Financial debts	29,733	1,881,035	-	-	1,910,768
Other financial assets	-	-	166	-	166
	29,733	1,881,035	166	-	1,910,934
	<b>29,927</b>	<b>1,881,035</b>	<b>3,914</b>	<b>692</b>	<b>1,915,568</b>

### Loans granted to third parties

The venturers of "UTE Compañía 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 2019 totalled EUR 118,016 thousand, each assuming an equal portion. Compañía de Distribución Integral Logista, S.A.U. included an amount of EUR 29,504 thousand in this connection at 30 September 2019 (at 30 September 2018: EUR 29,704 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 2019, 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 2019 were as follows:

	Thousands of Euros			
	Assets	Liabilities	Equity	Loss for the Year
"UTE Compañía de Distribución Integral Logista, S.A.U. y IGT Spain Lottery, S.L.U. Unión Temporal de Empresas"	2,247	124,082	(121,835)	(1,568)

### Credits granted to related parties

As of 12 June 2014, Imperial Brands Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A.U., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a mutual agreement for a five-year credit line (automatically renewable for one year, unless either of the parties sends a notice opposing such renewal at least one year prior to maturity), with a maximum draw down limit of EUR 2,000 million. As of 1 December 2015 the maximum draw down limit was increased to 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. As of 30 September 2019 the outstanding balance amounts to EUR 2,022 million (30 September 2018: EUR 1,881 million).

The interest accrued on this credit line at 30 September 2019 amounted to EUR 14,489 thousand (30 September 2018: EUR 13,664 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Tobacco	1,100,854	1,073,778
Published materials	12,083	12,039
Other merchandise	181,119	110,982
Write-downs	(11,302)	(8,256)
	<b>1,282,754</b>	<b>1,188,543</b>

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 2019, for a total amount of EUR 429,263 thousand (2018: EUR 458,777 thousand).

The write-down in year 2019 and 2018 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 2017	7,321
Period write-downs	5,208
Reversals	(2,409)
Amounts derecognised	(1,864)
Accumulated write-down at 30 September 2018	8,256
Period write-downs	5,727
Reversals	(3,846)
Amounts derecognised	1,165
<b>Accumulated write-down at 30 September 2019</b>	<b>11,302</b>

At 30 September 2019 and 2018, 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Trade receivables for sales and services	1,742,897	1,706,046
Related companies (Note 26)	21,601	23,741
Sundry accounts receivable	201,792	169,242
Employee receivables	650	442
Less- Allowances for doubtful debts	(53,246)	(53,225)
	<b>1,913,694</b>	<b>1,846,246</b>

The changes in the "Allowances for Doubtful Debts" in 2019 and 2018 are as follows:

	Thousands of Euros
Allowance for doubtful debts at 30 September 2017	(52,191)
Period write-downs	5,131
Reversals	(3,234)
Reclasifications	(523)
Amounts derecognised	(340)
Allowance for doubtful debts at 30 September 2018	53,225
Period write-downs	2,590
Reversals	(2,064)
Reclasifications	(462)
Amounts derecognised	(43)
<b>Allowance for doubtful debts at 30 September 2019</b>	<b>53,246</b>

The additions to and reversals from the allowance for doubtful debts in 2019 and 2018 are recognised under "Cost of Logistics Networks - Other Operating Expenses" in the accompanying consolidated income statement.

At 30 September 2019 and 2018, 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 2019 and 2018 is as follows:

Tranche	Thousands of Euros	
	2019	2018
0-30 days	65,807	44,322
30-90 days	11,621	12,119
90-180 days	6,103	4,565
180-360 days	2,102	1,363
More than 360 days	5,915	670

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

### **Sundry accounts receivable**

"Sundry Accounts Receivable" caption includes mainly the balances receivable from manufacturers for the tax established in France described in Note 22. For the purposes of better understanding, in this connection EUR 63,428 thousand from 2018 were reclassified in these financial statements from "Trade Receivables for Sales and Services" caption to "Sundry Accounts Receivable" caption in order to make them comparable with those of the current year.

## **12. Cash and cash equivalents**

"Cash and Cash Equivalents" in the consolidated balance sheets at 30 September 2019 and 2018 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 has been 0.00% in 2019.

## **13. Equity**

At the end of 2019 and 2018 the Parent's share capital amounted to EUR 26,550 thousand and was represented by 132,750,000 fully subscribed and paid shares of EUR 0.2 par value each, all of the same class.

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

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

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

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 2019 and 2018 is Altadis, S.A.U. with an ownership interest of 50,01%.

At 30 September 2019, 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 2019, the Group had a net cash position amounting to EUR 2,173,620 thousand (30 September 2018: EUR 2,031,599 thousand), the detail being as follows:

	Thousands of Euros	
	2019	2018
Other current financial liabilities (Note 20)	(37,551)	(32,850)
Gross debt	(37,551)	(32,850)
Other Current financial assets (Note 9)	2,050,521	1,910,934
Cash and cash equivalents	160,650	153,515
Financial assets and cash	2,211,171	2,064,449
<b>Total net financial position</b>	<b>2,173,620</b>	<b>2,031,599</b>

## 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 2019 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 2019 and 2018 relating to the Share Plan tranches, amounting to EUR 2,998 thousand and EUR 2,838 thousand, respectively (see Note 4.12). Additionally, in 2019 this line item includes an amount used on EUR 3,325 thousand to settle the Second Vesting Period (2015-2018) of the 2014 General Share Plan and the 2014 Special Share Plan.

In 2018 this line item included an amount used on EUR 4,064 thousand to settle the First Vesting Period (2014-2017) of the 2014 General Share Plan and the 2014 Special Share Plan and the settlement of a beneficiary for EUR 28 thousand.

**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 26 March 2019, the shareholders at the Parent's Annual General Meeting approved the distribution of the profit for 2018, 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 46,314 thousand, together with a final dividend of EUR 101,842 thousand, paid on 29 March 2019.

On 23 July 2019, the Parent's Board of Directors approved the distribution of an interim dividend of EUR 0.37 per share out of the profit for 2019, totaling EUR 48,938 thousand, which was paid on 29 August 2019 (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 747,461 treasury shares for EUR 15,110 thousand.

In 2019, as a result of the settlement of the Second Vesting Period (2015-2018) of the General Share Plan and the 2014 Special Share Plan, 158,699 shares were delivered to the beneficiaries of the two plans for a total amount of EUR 2,010 thousand, and the balance recognised at 30 September 2019 was EUR 9,893 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.

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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Reserves in fully consolidated companies	217,501	222,751
Reserves in companies consolidated by the equity method	(1,019)	(1,382)
	<b>216,482</b>	<b>221,370</b>

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			
	2019		2018	
	Minority Interests	Income Attributable To Minority Shareholders	Minority Interests	Income Attributable To Minority Shareholders
Distribuidora Valenciana de Ediciones, S.A.	242	44	198	(148)
Terzia, S.p.A.	1,030	96	934	(191)
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	41	(2)	58	14
Distribuidora de Publicaciones del Sur, S.L.	255	(2)	257	75
Other entities	159	-	159	-
	<b>1,727</b>	<b>136</b>	<b>1,606</b>	<b>(250)</b>

## **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 credit risk vis-à-vis non-Group third parties is not significant, due to the parties solvency.

The Group considers that at 30 September 2019 the level of credit risk is not significant, given the solvency of the counterparts.

### **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 1.9 million (2018: EUR 1.8 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 2019, the Group had a working capital deficiency amounting to EUR 814,617 thousand (30 September 2018: EUR 838,563 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 2019 and 2018 and of the main changes therein in the periods is as follows:

### 2019

	Thousands of Euros					
	Balance at 30/09/2018	Additions	Reversions	Provisions Used	Transfers	Balance at 30/09/2019
Excise duty and other assessments	10,859	3,299	(3,224)	(341)	-	10,593
Obligations to employees	19,493	4,729	(1,340)	(1,178)	(177)	21,527
Provision for contingencies and charges	5,908	1,972	(973)	(830)	(209)	5,868
Other	2,671	77	(7)	-	(41)	2,700
<b>Non-current provisions</b>	<b>38,931</b>	<b>10,077</b>	<b>(5,544)</b>	<b>(2,349)</b>	<b>(427)</b>	<b>40,688</b>
Provision for restructuring costs	4,821	8,196	(2,168)	(3,751)	-	7,098
Customer Refunds	2,162	3	(314)	-	-	1,851
Other	4,600	740	(1,308)	(1,424)	137	2,745
<b>Current provisions</b>	<b>11,583</b>	<b>8,939</b>	<b>(3,790)</b>	<b>(5,175)</b>	<b>137</b>	<b>11,694</b>

### 2018

	Thousands of Euros					
	Balance at 30/09/2017	Additions	Reversions	Provisions Used	Transfers	Balance at 30/09/2018
Excise duty and other 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
<b>Non-current provisions</b>	<b>36,686</b>	<b>7,666</b>	<b>(3,725)</b>	<b>(1,702)</b>	<b>6</b>	<b>38,931</b>
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
<b>Current provisions</b>	<b>13,728</b>	<b>3,171</b>	<b>(1,166)</b>	<b>(5,571)</b>	<b>1,421</b>	<b>11,583</b>

### **Provision for excise duty on tobacco products and for other 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 foreign trade activity settlements for years 2012-2016 amounting to EUR 13,642 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 2019 (See Note 9). 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 2019, the aforementioned claims are at the Central Economic-Administrative Tribunal, which has yet to hand down a ruling. Said claim is expected to conclude in more than a year, reason for which a reclassification to "non-current assets" has been made.

As of September 30 2019, Logista Italia, S.p.A. has recognized a provision amounting to EUR 4,523 thousand as a result of the Italian tax authorities' open inspection.

Additionally, there are recognized provisions to cover existing risks related to other assessments.

### **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.

This provision was calculated on the basis of actuarial studies performed by independent experts using as their main assumptions PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 0.9% as the main assumptions. In 2019, the Group charged EUR 3,248 thousand to reserves (2018: a credit of EUR 234 thousand) corresponding to changes in the actuarial assumptions used to calculate the present value of the total obligation assumed by the Group.

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 appealed against this decision at the Supreme Court.

On 25 September 2019, the Supreme Court has dismissed the appeal, ordering Compañía de Distribución Integral Logista, S.A.U. to pay such right, without any additional risk to recognise.

### **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 2019 and 2018, provisions were recognised amounting to EUR 8,196 thousand and EUR 1,933 thousand, respectively, and indemnity payments were made

amounting to EUR 3,751 thousand and EUR 4,654 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 2019, 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., Publicaciones y Libros, S.A.U., Distribuidora de las Rías, S.A.U., 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., 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 Distribuicao, 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 the years 2017 and 2018 for excise taxes and year 2018 for custom tax, being currently under review by the tax authorities year 2016 for excise taxes and year 2017 for custom tax.

The Parent Company and Compañía de Distribución Integral Logista, S.A.U. have currently under review by the tax authorities years 2013, 2014, 2015 and 2016 for income taxes, years 2014, 2015 and 2016 for withholding taxes and, additionally, for Compañía de Distribución Integral Logista, S.A.U. years 2013, 2014, 2015, 2016 and 2017 for value added taxes.

Logista Italia, S.p.A. has currently under review by the tax authorities years 2014 and 2015 for income taxes.

Logista France, S.A.S. has currently under review by the tax authorities years 2016, 2017 and 2018 for income taxes, value added taxes and other local taxes.

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, and the last ten years for excise taxes in Italy.

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 that 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
<b>Deferred tax assets:</b>		
Provision for restructuring costs	557	1,167
Goodwill	1,815	1,842
Impairment losses and other	4,003	1,750
Provision for third-party liability	10,467	10,734
Other deferred tax assets	2,189	3,136
	<b>19,031</b>	<b>18,629</b>
<b>Tax receivables (current):</b>		
VAT refundable	5,088	4,548
Income tax refundable	14,359	78,240
Other	233	745
	<b>19,680</b>	<b>83,533</b>

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 2019 and 2018 is as follows:



	Thousands of Euros	
	2019	2018
<b>Deferred tax liabilities:</b>		
Assets contributed by Logista	535	562
Revaluation of land owned by the Parent (Note 14-d)	7,125	7,125
Goodwill	102,125	95,378
Business Combination	148,646	166,627
Other	6,452	9,981
	<b>264,883</b>	<b>279,673</b>
<b>Tax payables (current):</b>		
Excise duty on tobacco products	3,798,298	3,722,463
VAT payable	755,593	1,035,282
Customs duty settlements	3,333	4,545
Income tax, net of prepayments	2,997	8,071
Personal income tax withholdings	6,847	6,145
Social security taxes payable	17,253	17,111
Tax retention to tobaccoists (France)	34,660	29,324
Other	234,414	74,979
	<b>4,853,395</b>	<b>4,897,920</b>

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, 2019 the "Other items" in current tax payables caption includes an account payable with the French tax authorities for an amount of EUR 71 million (2018: 73 million), related to the social contribution accrued in year 2019 and up to September 30, 2019 (See Note 22).

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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Accounting profit before tax	217,099	203,163
Permanent differences	(18,235)	(39,209)
Tax loss carryforwards compensation	(245)	-
Tax charge at 25%	49,655	40,989
Effect of different tax rates and changes thereto	6,197	13,476
Corporation tax adjustments	(4,460)	(9,100)
CVAE France	2,841	2,472
Reductions	(1,896)	(1,130)
<b>Total income tax expense recognised in consolidated profit or loss</b>	<b>52,337</b>	<b>46,707</b>

In 2018, 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.

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%.
- 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 a supplementary business tax which can represent up to 4.5%, additionally, 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	
	2019	2018
<b>Current tax:</b>		
Continuing operations	65,717	66,103
<b>Deferred tax:</b>		
Continuing operations	(13,886)	(19,103)
Tax adjustment and others	502	(293)
<b>Total tax expense</b>	<b>52,337</b>	<b>46,707</b>

#### Changes in deferred tax assets and liabilities

The changes in deferred tax assets and liabilities in 2019 and 2018 are as follows:

#### 2019

	Thousands of Euros			
	Balance at 30/09/2018	Change in Profit or Loss	Others	Balance at 30/09/2019
<b>Deferred tax assets:</b>				
Provision for restructuring costs	1,167	(543)	(67)	557
Goodwill	1,842	(27)	-	1,815
Impairment losses and other	1,750	2,261	(8)	4,003
Provision for third-party liability	10,734	162	(429)	10,467
Other deferred tax assets	3,136	(949)	2	2,189
	<b>18,629</b>	<b>904</b>	<b>(502)</b>	<b>19,031</b>
<b>Deferred tax liabilities:</b>				
Assets contributed by Logista	(562)	27	-	(535)
Revaluation of land	(7,125)	-	-	(7,125)
Goodwill	(95,378)	(6,747)	-	(102,125)
Business combination	(166,627)	17,981	-	(148,646)
Other	(9,981)	(3,529)	-	(6,452)
	<b>(279,673)</b>	<b>14,790</b>	<b>-</b>	<b>(264,883)</b>

**2018**

	Thousands of Euros			
	Balance at 30/09/2017	Change in Profit or Loss	Others	Balance at 30/09/2018
<b>Deferred tax assets:</b>				
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
	<b>19,944</b>	<b>(1,398)</b>	<b>83</b>	<b>18,629</b>
<b>Deferred tax liabilities:</b>				
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)
	<b>(298,968)</b>	<b>19,081</b>	<b>214</b>	<b>(279,673)</b>

The deferred tax liability caption includes mainly the deferrals associated with the business combinations and goodwill recorded by the Group. During fiscal year 2019 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 2019, the Group had tax credits not yet used by the tax group amounting to EUR 1,870 thousand (30 September 2018: EUR 4,426 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 not capitalised tax loss carryforwards at the end of 2019 were basically as follows:

- Spain: the tax loss carryforwards amount to EUR 6,161 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 2026-2028.

**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 Cía de distribución Integral Logista, S.A.U. y IGR Spain Lottery, S.L.U.", which amounted to EUR 29,504 thousand at 30 September 2019 (30 September 2018: EUR 29,704 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 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Accounts payable for purchases and services	1,020,391	813,354
Notes payable	26,025	24,404
Payable to related companies (Note 26)	227,229	183,511
Advances received on orders	414	134
	<b>1,274,059</b>	<b>1,021,403</b>

Trade and Other Payables" includes mainly the amounts outstanding for trade purchases and related costs. The average payment period for trade purchases in 2019 and 2018 was approximately 35 days.

## **22. Guarantee commitments to third parties and other information**

At 30 September 2019, the Group has been provided with bank guarantees totalling EUR 157,284 thousand (30 September 2018: EUR 150,492 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 2019 that might arise from the aforementioned guarantees would not in any event be material.

At 30 September 2019, 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.

On 12 April 2019, the Board of the CNMC issued its Decision of 10 April 2019 in relation to the enforcement proceedings concerning an alleged exchange by certain tobacco manufacturers of information relating to the sale of cigarettes from 2008 to 2017. Logista provided the aforementioned information in compliance with the principles of neutrality and non-discrimination.

The CNMC considers expressly in the aforementioned decision that the aim of the conduct in question was not to restrict competition and, therefore, it could not be classified as constituting a cartel. However, the CNMC imposed a penalty of EUR 20.9 million on Logista because it considered that such conduct was restrictive due to its, albeit potential, effects on the cigarette manufacturing and sale market. The CNMC did not substantiate or evidence that Logista's sales information had given rise to the alleged restriction of competition between the manufacturers attributed to it.

Logista evidenced that the aforementioned information, which is free, was made available to all manufacturers that distributed their products through Logista, with the lawful purpose of such manufacturers being able to verify Logista's strict compliance with the principle of neutrality when performing its activities as a wholesale distributor in the tobacco market.

Therefore, the Parent's directors, supported by its legal advisers, believe that the Decision, which is not final, is unlawful; at the date of authorisation for issue of these financial statements an appeal for judicial review had been lodged at the Spanish National Appellate Court against the Decision, which is not expected to impact the Group's equity position.

Also, in 2017 France established a tax of 5.6% levied on tobacco suppliers' sales. This tax was initially paid by Logista France, S.A.S. to the French authorities and subsequently rebilled to the tobacco manufacturers, certain of which refused to make the related payment; the amount receivable in connection

with the tax for 2017 and 2018 totals EUR 118 million, while the unbilled accrued amount of the tax for the first 9 months of 2019 amounts to EUR 71 million (see Note 19). Logista France, S.A.S. decided to withhold the equivalent amount of the invoices received from those manufacturers. In this context, the Group received claims for EUR 39 million and EUR 3 million, respectively, from two tobacco manufacturers.

On 15 October 2019, the Paris Commercial Court issued the decision on the claim lodged by one of the tobacco manufacturers, in which it ruled that Logista France, S.A.S. had to pay the invoices received from the manufacturer for EUR 39 million, corresponding to the tax for 2017 and 2018. Logista and its legal advisers consider that the decision is an erroneous interpretation of the principles and agreements between Logista and the manufacturer and, furthermore, consider that the aforementioned Court did not take into consideration the arguments put forward by Logista in relation to the agreement and the nature of the tax, and Group is therefore evaluating the legal actions to lodge. On the basis of the information available, the negotiations and communications that have taken place with the manufacturers and also the assessment of its legal advisers, the Parent's directors consider that this matter will not have any impact on the Group's equity position.

## **23. Income and expenses**

### **a) Income**

The detail of "Revenue" in the consolidated income statements for 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Iberia	3,157,395	2,812,642
Italy	2,961,607	2,688,081
France	4,069,467	4,021,604
Corporative	9,149	8,495
Adjustment due to inter-segment sales	(49,295)	(54,338)
	<b>10,148,323</b>	<b>9,476,484</b>

### **b) Staff costs**

The detail of the Group's "Staff Costs" in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Wages and salaries	(200,049)	(196,855)
Termination benefits	(10,303)	(3,301)
Employer social security costs	(64,638)	(62,847)
Other employee benefit costs (Note 4.12)	(2,079)	(2,586)
Other social costs	(14,858)	(12,894)
	<b>(291,927) (*)</b>	<b>(278,483) (*)</b>

(\*) "Research Expenditure" includes EUR 1,375 thousand and EUR 1,377 thousand of staff costs in 2019 and 2018, respectively.

The average number of employees at the Group, by professional category, in 2019 and 2018, as well as the number of employees as of 30 September 2019 and 30 September 2018 was as follows:

## 2019

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/19			
	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	1,583	1,270	188	171	1,595	1,260	182	188
Messengers	1,566	550	363	205	1,560	548	426	199
	3,169	1,822	551	376	3,175	1,810	608	387
	<b>4,991</b>		<b>927</b>		<b>4,985</b>		<b>995</b>	

## 2018

Category	Number of Persons							
	Average Headcount				Headcount at 30/09/18			
	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
	<b>4,914</b>		<b>889</b>		<b>4,946</b>		<b>873</b>	

The average number of disabled employees with a handicap higher than 33% at the Group in 2019 and 2018 was as follows:

Category	2019	2018
Management	-	1
Line personnel and clerical staff	15	14
Messengers	48	44
	<b>63</b>	<b>59</b>

### *Remuneration of senior executives*

The senior executive functions are discharged by members of the Management Committee, which consists of 11 members.

The remuneration accrued in 2019 by the members of the Management Committee of the Group amounted to EUR 4,583 thousand (2018: EUR 5,463 thousand). The aforementioned amounts include the amounts vested in the members of the Management Committee in 2019 and 2018 under the incentive plan described in Note 4.12.

The period contributions to the savings schemes for members of the Management Committee for 2019 and 2018 amounted to EUR 250 thousand and EUR 262 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	
	2019	2018
Leases	(32,346)	(32,420)
Security and cleaning	(16,318)	(15,973)
Utilities	(17,854)	(16,843)
Other operating expenses	(130,784)	(136,107)
	<b>(197,302)</b>	<b>(201,343)</b>

*Commercial expenses*

	Thousands of Euros	
	2019	2018
Leases	(2,450)	(2,653)
Security and cleaning	(30)	(16)
Utilities	(1,481)	(1,391)
Other operating expenses	(20,321)	(19,018)
	<b>(24,282)</b>	<b>(23,078)</b>

*Head Office costs*

	Thousands of Euros	
	2019	2018
Leases	(4,378)	(4,172)
Security and cleaning	(581)	(649)
Utilities	(367)	(381)
Other operating expenses	(14,097)	(12,965)
	<b>(19,423)</b>	<b>(18,167)</b>

"Other Operating Expenses" mainly includes expenses related to Independent professional services and to various services registered in the consolidated statements for 2019 and 2018.

**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	
	2019	2018
Within one year	(32,838)	(31,441)
Between one and five years	(80,720)	(69,802)
More than five years	(25,758)	(24,367)
	<b>(139,316)</b>	<b>(125,610)</b>

**e) Finance income**

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



	Thousands of Euros	
	2019	2018
Interest income (Note 26)	14,489	13,664
Other finance income with related parties (Note 26)	-	435
Other finance income	523	176
	<b>15,012</b>	<b>14,275</b>

**f) Finance expenses**

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

	Thousands of Euros	
	2019	2018
Accrual for late payment interests and financial update of provisions	(414)	(456)
Other financial costs	(1,825)	(1,131)
	<b>(2,239)</b>	<b>(1,587)</b>

**g) Other disclosures**

In 2019 and 2018 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	
	2019		2018		2019	2018
	Deloitte	PWC	Deloitte	PWC		
Audit services	843	491	828	497	11	11
Reporting package to Imperial Brands, Plc.	-	304	-	128	-	-
Other attest services	35	53	32	30	86	87
<b>Total audit and related services</b>	<b>878</b>	<b>848</b>	<b>860</b>	<b>655</b>	<b>97</b>	<b>98</b>
Transfer pricing counselling services	173	-	115	-	-	-
Other services	4	19	11	37	-	-
Total other services	177	19	126	37	-	-
<b>Total professional services</b>	<b>1,055</b>	<b>867</b>	<b>986</b>	<b>692</b>	<b>97</b>	<b>98</b>

From the date of year-end to the date of preparation of these consolidated annual accounts, fees charged for non-audit services provided by co-auditor PricewaterhouseCoopers Auditores, S.L. amounted to EUR 12.4 thousand (2018: EUR 173.3 thousand) and by the co-auditor Deloitte, S.L. amounted EUR 10.3 thousand (2018: 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		France		Corporate and Other		Total Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Revenue:</b>										
External sales-	3,157,395	2,812,642	2,961,607	2,688,081	4,069,467	4,021,604	9,149	8,495	10,197,618	9,530,822
Tobacco and related products	2,753,909	2,402,212	2,961,607	2,688,081	3,891,663	3,840,142	9,149	8,495	9,616,328	8,938,930
Transport	385,656	366,175	-	-	-	-	-	-	385,656	366,175
Other businesses	152,213	141,831	-	-	187,217	189,270	-	-	339,430	331,101
Other adjustments	(134,383)	(97,576)	-	-	(9,413)	(7,808)	-	-	(143,796)	(105,384)
Inter-segment sales									(49,295)	(54,338)
<b>Total revenue</b>	<b>3,157,395</b>	<b>2,812,642</b>	<b>2,961,607</b>	<b>2,688,081</b>	<b>4,069,467</b>	<b>4,021,604</b>	<b>9,149</b>	<b>8,495</b>	<b>10,158,323</b>	<b>9,476,484</b>
<b>Procurements:</b>										
External procurements	(2,575,818)	(2,251,246)	(2,675,488)	(2,397,651)	(3,791,745)	(3,757,415)	-	-	(9,943,051)	(8,406,312)
Inter-segment procurements									43,714	48,012
<b>Total procurements</b>	<b>(2,575,818)</b>	<b>(2,251,246)</b>	<b>(2,675,488)</b>	<b>(2,397,651)</b>	<b>(3,791,745)</b>	<b>(3,757,415)</b>	<b>-</b>	<b>-</b>	<b>(8,999,337)</b>	<b>(8,358,300)</b>
<b>Gross profit:</b>										
External gross profit-	581,577	561,396	286,119	290,430	277,722	264,189	9,149	8,495	1,154,567	1,124,510
Tobacco and related products	278,357	272,101	286,119	290,430	233,176	218,586	9,149	8,495	806,801	789,612
Transport	269,974	252,999	-	-	-	-	-	-	269,974	252,999
Other businesses	86,404	84,221	-	-	51,736	51,579	-	-	138,140	135,800
Other and adjustments	(53,158)	(47,925)	-	-	(7,190)	(5,976)	-	-	(60,348)	(53,901)
Inter-segment gross profit									(5,581)	(6,326)
<b>Total gross profit</b>	<b>581,577</b>	<b>561,396</b>	<b>286,119</b>	<b>290,430</b>	<b>277,722</b>	<b>264,189</b>	<b>9,149</b>	<b>8,495</b>	<b>1,148,986</b>	<b>1,118,184</b>
<b>Profit (Loss):</b>										
Segment result	122,973	111,572	79,155	79,064	14,604	12,547	(13,655)	(13,722)	203,077	189,461
Share of results of associates	-	-	-	-	-	-	-	-	1,249	1,014
<b>Profit (Loss) from operations</b>	<b>122,973</b>	<b>111,572</b>	<b>79,155</b>	<b>79,064</b>	<b>14,604</b>	<b>12,547</b>	<b>(13,655)</b>	<b>(13,722)</b>	<b>204,326</b>	<b>190,475</b>

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.

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

	Thousands of Euros									
	Iberia		Italy		France		Corporate and Others		Total Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Other disclosures:</b>										
Additions to non-current assets	31,574	33,775	6,449	10,194	13,653	10,445	322	47	51,998	54,461
Depreciation and amortisation charge	(23,792)	(23,184)	(6,290)	(6,401)	(59,006)	(58,405)	(64)	(57)	(89,152)	(88,047)
<b>Balance sheet:</b>										
Assets-										
Property, plant and equipment, investment properties and non-currents assets held for sale	158,192	150,790	22,702	24,218	47,757	46,403	202	133	228,853	221,544
Other non-current assets	76,693	63,820	674,411	671,523	662,164	714,976	1,718	1,071	1,414,986	1,451,390
Inventories	473,652	443,567	368,082	329,901	441,020	415,075	-	-	1,282,754	1,188,543
Trade receivables	560,516	552,523	355,732	332,456	996,568	960,124	878	1,143	1,913,694	1,846,246
Other current assets									2,243,280	2,157,467
<b>Total consolidated assets</b>									<b>7,083,567</b>	<b>6,865,190</b>
Liabilities-										
Non-current liabilities	113,103	110,330	40,704	40,850	155,069	171,570	-	-	308,876	322,750
Current liabilities	1,522,017	1,634,250	1,739,164	1,572,989	2,991,961	2,822,706	1,203	887	6,254,345	6,030,832
Equity									520,346	511,608
<b>Total consolidated liabilities</b>									<b>7,083,567</b>	<b>6,865,190</b>

## **25. Foreign currency transactions**

The Logista Group's foreign currency transactions in 2019 and 2018, measured in euros at the average exchange rate for the year, were as follows:

	Thousands of Euros	
	2019	2018
Sales	16,090	14,244
Purchases	12,099	10,305
Services received	2,494	4,678

## **26. Balances and transactions with related parties**

The balances at 30 September 2019 and 2018 with related companies were as follows:

### **2019**

	Thousands of Euros			
	Receivables		Payables	
	Credit Facilities (Note 9)	Accounts Receivable (Note 11)	Accounts Payable (Note 21)	Loans
Altadis, S.A.U.	-	1,453	47,906	-
Altadis Canarias, S.A.	-	1,981	22,507	-
Imperial Brands Finance PLC	2,020,792	-	-	-
Imperial Tobacco International Limited	-	777	22,788	-
Seita, S.A.S.	-	12,652	49,647	-
Imperial Tobacco Italia, Srl	-	1,630	53,007	-
Tabacalera, S.L. Central Overheads	-	1,149	3,498	-
My Blu Spain, S.L.	-	737	27,828	-
Logista Libros, S.L.	12	683	48	8,047
Others	-	539	-	-
	<b>2,020,804</b>	<b>21,601</b>	<b>227,229</b>	<b>8,047</b>

### **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 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	-
My Blu, S.L.	-	12	44	-
Logista Libros, S.L.	10	711	246	3,147
Others	-	3,552	2,400	-
	<b>1,881,035</b>	<b>23,741</b>	<b>183,511</b>	<b>3,147</b>

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 PLC Group companies.

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

The transactions with related companies in 2019 and 2018 were as follows:

## 2019

	Thousands of Euros			
	Operating Income	Finance Results (Note 23-e)	Purchases	Other Operating Expenses
Altadis, S.A.U.	8,817	-	346,966	-
Altadis Canarias, S.A	10,996	-	49,210	-
Tabacalera S.L. Central Overheads	8,414	-	191	-
Imperial Tobacco Italy, s.r.l.	3,606	-	121,446	-
Imperial Tobacco Polska, S.A.	3,055	-	-	-
Imperial Tobacco Manufacturing Polska, S.A.	377	-	-	-
Imperial Brands Finance PLC	-	14,489	-	-
Imperial Tobacco Portugal SPPLC	1,986	-	39,480	-
Macotab, S.A.S.	1,030	-	-	-
SEITA, S.A.	-	-	-	394
Fontem International GmbH	25,232	-	274,342	-
My Blu Spain, S.L.	713	-	1,374	-
Others	2,784	-	55,575	-
	4,758	-	21	-
	<b>71,768</b>	<b>14,489</b>	<b>888,605</b>	<b>394</b>

## 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 Finance PLC	-	8,136	-	-
Imperial Tobacco Portugal SPPLC	1,885	-	39,210	-
Macotab, S.A.S.	1,544	-	-	-
SEITA, S.A.	-	-	26	386
Fontem International GmbH	23,725	-	287,202	148
My Blu Spain, S.L.	1,401	-	6,493	-
Others	10	-	200	-
	5,651	435	291	81
	<b>65,938</b>	<b>14,099</b>	<b>820,529</b>	<b>615</b>

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 2019 the remuneration accrued 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 accrued by the members of the Board who in turn are executives, amounted to EUR 4,477 thousand (2018: EUR 5,092 thousand).

The contributions to savings schemes for the executive directors for 2019 and 2018 amounted to EUR 359 thousand and EUR 237 thousand, respectively.

The life insurance premium corresponding to the Board of Directors amounted to EUR 15 thousand in 2019 and 2018.

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

Also, in 2019 and 2018 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 2019 the directors' third-party liability insurance amounted to EUR 45 thousand in 2019 and 2018.

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	
	2019	2018
Average period of payment suppliers	35	35
Ratio of transactions settled	36	35
Ratio of transactions not yet settled	32	43

	Thousand Euros	
	2019	2018
Total payments made	9,972,322	9,644,083
Total payments outstanding	962,332	837,893

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**

As described in Note 22 to the Group's consolidated financial statements, On 15 October 2019, the Paris Commercial Court issued the decision on the claim lodged by one of the tobacco manufacturers, in which it ruled that Logista France, S.A.S. had to pay the invoices received from the manufacturer for EUR 39 million, corresponding to the tax for 2017 and 2018. On the basis of the information available, the negotiations and communications that have taken place with the manufacturers and also the assessment of its legal advisers, the Parent's directors consider that this matter will not have any impact on the Group's equity position.

No additional significant events have occurred subsequent since the end of the year ended 30 September 2019.

## **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:

#### 2019

Company	Audit Firm	Location	% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Data on the Companies						
			Direct	Indirect		Assets	Liabilities	Equity	Profit/Loss
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	974,689	4,479,194	3,958,337	520,857	330,974
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	-	53,917	49,307	4,610	1,174
Publicaciones y Libros, S.A.U. (a)	Deloitte	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	4,974	3,243	3,035	208	(1,098)
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo	-	100	553	2,899	1,536	1,363	33
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	1,030	821	209	(9)
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	69	5,300	4,816	484	(4)
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	239	1,662	1,530	132	17
Distribuidora de las Rías, S.A.U. (a)	No audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña	-	100	359	1,157	1,020	137	15
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia	-	50	445	4,048	3,563	495	89
Cyberpoint, S.L.U. (e)	No audit	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª, Modulo 3, Alcorcón	-	100	64	11	6	5	(20)
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Félix Rodríguez de la Fuente, 11 Parque empresarial de Elche, Elche	-	100	557	3,173	2,436	737	208
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	6,661	6,860	4,645	2,215	(89)
La Mancha 2000, S.A.U. (a)	BDO	Avda. de la Vega, 12-A. Cabanillas del Campo	-	100	1,352	2,463	697	1,766	119
Midsid - Sociedade Portuguesa de Distribuição, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	6,164	75,078	64,849	10,229	3,101
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,202	57,194	54,996	2,198	2,716
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	4,510	34,618	33,268	1,350	4,729
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via Valadier. 37 Roma (Italia)	-	100	100	11,314	9,277	2,037	1,917
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	42	59	-	59	(3)
Logesta Polska Sp. z.o.o. (a)	No audit	Al.Jerozolimskie, 96, Warszawa (Polonia)	-	100	261	2,725	2,165	560	301
Logesta Deutschland GmbH (a)	No audit	Unsöldstrabe,2 , 20538, München (Alemania)	-	100	100	394	7	387	(5)
Logesta France, s.a.r.l.(d)	No audit	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	50	3,122	786	2,336	226
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca	-	100	21,292	117,362	89,854	27,508	19,771
Logista Pharma Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerriós, 3. Las Palmas de Gran Canaria	-	100	1,657	4,972	857	4,115	1,118
Logista Pharma, S.A.U. (f)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	14,685	46,644	31,959	14,685	5,423
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	3	486	316	170	87
Logista Italia, S.p.A. (a)	Pwc	Via Valadier, 37. Roma (Italia)	-	100	605,629	1,835,180	1,736,299	98,881	64,090
Terzia, S.p.A. (b)	Pwc	Via Valadier, 37. Roma (Italia)	-	68	762	43,742	42,829	912	299
Logista Transportes, Transitarios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	3,210	13,601	10,391	3,210	1,282
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Deloitte	Al. Jerozolimskie 96. Warszawa. Polonia	-	100	1,904	3,106	1,207	1,899	370
Logista France, S.A.S. (a)	Deloitte/Pwc	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	920,161	3,198,432	3,015,219	183,213	65,117
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	22,128	63,284	28,098	35,186	(591)
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	-	53,341	52,919	422	(407)

(a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal,

(b) These companies engage in the purchase and sale of consumer products,

(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics,

(d) These companies' object is the performance of transport activities,

(e) This company is specialised in software development for the management of points of sale for publications,

(f) Companies specialising in the distribution of products from pharmacies and related points of sale.

2018

Company	Audit Firm	Location	% of Ownership By the Parent Company		Net Book Value	Thousands of Euros			
			Direct	Indirect		Data on the Companies			
						Assets	Liabilities	Equity	Profit/Loss
Compañía de Distribución Integral Logista, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	100	-	973,904	4,303,282	3,970,492	332,790	186,196
Compañía de Distribución Integral de Publicaciones Logista, S.L.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	-	48,082	44,574	3,508	880
Distribérica, S.A.U. (a)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	-	3,916	3,197	719	55
Publicaciones y Libros, S.A.U. (a)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,666	3,200	3,254	(54)	(756)
Distribuidora del Noroeste, S.L. (a)	Deloitte	Gandarón, 34 Interior- Vigo	-	100	553	2,458	1,052	1,406	76
Distribución de Publicaciones Siglo XXI Guadalajara, S.L. (a)	No audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)	-	80	64	732	440	292	75
Distribuidora de Publicaciones del Sur, S.L. (a)	Deloitte	Polígono Ind. ZAL, Ctra. De las Esclusas/n, Parcela 2, Módulo 4 (Sevilla)	-	50	69	3,184	2,694	490	151
Promotora Vascongada de Distribuciones, S.A. (a)	No audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)	-	100	235	1,252	1,095	157	42
Distribuidora de las Rías, S.A. (a)	No audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña	-	100	344	1,180	1,016	164	43
Distribuidora Valenciana de Ediciones, S.A. (a)	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia	-	50	445	3,182	2,776	406	(297)
Cyberpoint, S.L.U. (e)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	64	32	6	26	(16)
Distribuidora del Este, S.A.U. (a)	Deloitte	Calle Saturno, 11. Alicante	-	100	557	1,764	997	767	239
S.A.U. Distribuidora de Ediciones (a)	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona	-	100	6,661	8,259	5,426	2,833	529
La Mancha 2000, S.A.U. (a)	BDO	Avda. de la Veguilla, 12-A. Cabanillas del Campo	-	100	1,352	2,412	666	1,746	109
Midsid - Sociedade Portuguesa de Distribuição, S.A. (a)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	6,164	64,290	56,254	8,036	14
Logista-Dis, S.A.U. (b)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	1,202	25,678	22,129	3,549	273
Logesta Gestión de Transporte, S.A.U. (d)	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	4,510	31,550	27,423	4,127	2,909
Logesta Italia, s.r.l.(d)	Colegio Sindacale	Via Valadier. 37 (Roma)	-	100	100	13,190	10,648	2,542	2,422
Logesta Lusa Lda (d)	No audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	42	62	1	61	14
Logesta Polska Sp. z.o.o. (a)	No audit	Al.Jerozolimskie, 96, Warszawa (Polonia)	-	100	261	2,450	1,988	462	273
Logesta Deutschland GmbH (a)	No audit	Unsöldstrabe,2 , 20538, München (Alemania)	-	100	100	402	10	392	1
Logesta France, s.a.r.l.(d)	No audit	27 Avenue des Murs du Parc 94300 Vincennes (Francia)	-	100	50	2,912	803	2,109	321
Dronas 2002, S.L.U. (c)	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca	-	100	21,292	115,508	70,791	44,717	18,808
Logista Pharma Gran Canaria, S.A.U. (c)	Deloitte	Urbanización El Cebadal. C/ Entrerriós, 3. Las Palmas de Gran Canaria	-	100	1,657	4,944	865	4,079	1,083
Logista Pharma, S.A.U. (f)	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca	-	100	14,806	42,261	27,455	14,806	5,544
Be to be pharma, S.L.U. (f)	No audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés	-	100	3	711	537	174	91
Logista Italia, S.p.A. (a)	Pwc	Via Valadier, 37. Roma (Italia)	-	100	605,629	1,660,738	1,568,552	92,186	57,422
Terzia, S.p.A. (b)	Pwc	Via Valadier, 37. Roma (Italia)	-	68	762	49,150	48,537	613	(599)
Logista Transportes, Transitorios e Pharma, Lda. (d)	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	1,939	12,577	10,649	1,928	1,021
Compañía de Distribución Integral Logista Polska, Sp z.o.o. (a)	Deloitte	Al. Jerozolimskie 96. Warszawa. Polonia	-	100	1,542	2,463	891	1,572	188
Logista France, S.A.S. (a)	Deloitte/Pwc	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	920,161	3,180,915	2,884,819	296,096	61,346
Société Allumetière Française, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	22,128	86,371	30,592	55,779	2,564
Supergroup, S.A.S. (b)	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes – Francia	-	100	-	57,778	56,949	829	457
José Costa & Rodrigues L.D.A	PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)	-	100	12,256	9,136	2,010	7,126	1,179

(a) All these companies engage in the distribution and dissemination of publications and in the distribution of tobacco and other consumer products in Spain, Italy, France and Portugal,

(b) These companies engage in the purchase and sale of consumer products,

(c) The Dronas Group engages in integrated shipping, express shipping and pharmaceutical logistics,

(d) These companies' object is the performance of transport activities,

(e) This company is specialised in software development for the management of points of sale for publications,

(f) Companies specialising in the distribution of products from pharmacies and related points of sale.

## Appendix II

### Logista Group Associates

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

#### 2019

Company	Audit Firm	Location	Activity	% of Ownership by the Parent Company		Net Book Value	Thousands of Euros			
				Directos	Indirectos		Data on the Companies			
							Assets	Liabilities	Equity	Profit/Loss
Logista Libros, S,L,U (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications	-	50	-	42,972	35,571	7,401	2,498

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

#### 2018

Company	Audit Firm	Location	Activity	% of Ownership by the Parent Company		Net Book Value	Thousands of Euros			
				Directos	Indirectos		Data on the Companies			
							Assets	Liabilities	Equity	Profit/Loss
Logista Libros, S,L,U (*)	Deloitte	Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara	Distribution and dissemination of publications	-	50	-	39,905	33,698	6,207	2,027

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

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

Consolidated Directors Report for  
financial year  
ended on September 30<sup>th</sup> 2019

### 1. EVOLUTION OF THE LOGISTA GROUP DURING THE FISCAL YEAR 2019

- The growth recorded by Revenues and Economic Sales<sup>1</sup> that grew 7.1% and 2.8% respectively
- The positive evolution of Adjusted Operating Profit<sup>1</sup>, progressing by 6.5% and Profit from Operations increasing by 7.3%, as a consequence of the good performance recorded by the activity
- The increases in Profit Before Taxes and Net Income, 6.9% and 5.1% respectively, despite recording a higher corporate income tax rate than in the preceding fiscal year

#### Financial overview

Data in Million Euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
Revenues	10,148.3	9,476.5	+7.1%
Economic Sales <sup>1</sup>	1,149.0	1,118.2	+2.8%
Adjusted Operating Profit <sup>1</sup>	261.9	245.9	+6.5%
Margin over Economic Sales <sup>1</sup>	22.8%	22.0%	+80 b.p.
Profit from operations	204.3	190.5	+7.3%
Net Income	164.6	156.7	+5.1%

The Group closed a very positive fiscal year in which, once more, its capacity to obtain growing results, even under complicated macroeconomic and regulatory circumstances, has been demonstrated.

In fact, the main uncertainties existing during the last fiscal year (the US-China commercial tensions, as well as the way UK is going to leave the European Union) not only have not cleared up, but also have continued being very much present. On the other hand, Italy entering into technical recession and its following stagnation, the French social protests or the situation of the Spanish Government have not contributed to achieve a significant recovery of private consumption in the countries where the Group operates.

Additionally, as it was expected, the Group has successfully met the challenge of providing distribution services of tobacco products after the entry into force, on 20 May 2019, of the new traceability regulation required by the European Union for that sector.

In this context, the Group has recorded a positive activity evolution practically in all business lines. Per activities, distribution of convenience products in all geographies and channels, Pharma, as well as Transport recorded the most positive performance whereas the activities linked to Tobacco distribution in Spain and Italy recorded the weakest performance.

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<sup>1</sup> See appendix "Alternative Performance Measures"

Group Revenues grew by 7.1% over the preceding year. Economic Sales<sup>1</sup> grew by 2.8%, reaching €1,149.0 million, thanks to the improvements recorded by the activity in Iberia and France, which more than offset the reduction experienced in Italy.

The evolution of tobacco volumes (cigarettes plus RYO (Roll your own) and others) distributed in this fiscal year vs. fiscal year 2018 (-1.5%) was much less negative than the -3.0% yearly variation in fiscal year 2018 vs. fiscal year 2017. France recorded reductions of distributed volumes of cigarettes and RYO while Spain and Portugal distributed volumes increased. In the case of Italy, the reduction was very slight and the distributed volumes stood practically stable.

The movements in prices, taxes and commissions on tobacco products occurred during this and past fiscal years year had a positive impact in the results, derived from the Group's inventory valuation. This impact was not very significant in either period.

Total operating costs<sup>1</sup> grew by 1.7%, below the increase of Economic Sales<sup>1</sup> despite the cost base in France during a large part of the year was over-dimensioned with respect to the distributed volumes (reason why a restructuring process in the country was implemented during this fiscal year) and the important growth experienced by the Transport activity cause a certain dilution effect in the margins at Group level.

Adjusted EBIT<sup>1</sup> reached €261.9 million (+6.5% above previous year) which, together with a much higher restructuring costs<sup>1</sup> during the period (€11.4 million compared to €3.6 million) partially offset by the capital gain from the sale of a building in Portugal (€2.5 million) and by the positive result of impairment reversals in one of the business of the Group (€2.5 million), contributed to a 7.3% Profit from Operations increase vs. last year, reaching €204.3 million.

The Adjusted EBIT margin over Economic Sales<sup>1</sup> advanced to 22.8% compared to the 22.0% obtained in fiscal year 2018.

Financial Results in this fiscal year stood practically flat at €12.8 million compared to €12.7 million registered in fiscal year 2018.

The Tax rate in the period increased to 24.1% from 23.0% recorded during last year.

Because of all the above mentioned, the Net Income went up by 5.1% to €164.6 million.

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<sup>1</sup> See appendix "Alternative Performance Measures"

### Revenues Evolution (By Segment and Activity)

Data in Million Euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
<b>Iberia</b>	<b>3,157.4</b>	<b>2,812.6</b>	<b>12.3%</b>
Tobacco & Related	<b>2,753.9</b>	<b>2,402.2</b>	<b>14.6%</b>
Transport Services	385.7	366.2	5.3%
Other Businesses	152.2	141.8	7.3%
Adjustments	(134.4)	(97.6)	(37.7)%
<b>France</b>	<b>4,069.5</b>	<b>4,021.6</b>	<b>1.2%</b>
Tobacco & Related	3,891.7	3,840.1	1.3%
Other Businesses	187.2	189.3	(1.1)%
Adjustments	(9.4)	(7.8)	(20.6)%
<b>Italy</b>	<b>2,961.6</b>	<b>2,688.1</b>	<b>10.2%</b>
Tobacco & Related	2,961.6	2,688.1	10.2%
<b>Corporate &amp; Others</b>	<b>(40.1)</b>	<b>(45.8)</b>	<b>12.4%</b>
<b>Total Revenues</b>	<b>10,148.3</b>	<b>9,476.5</b>	<b>7.1%</b>

### Economic Sales<sup>1</sup> Evolution (By Segment and Activity)

Data in Million Euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
<b>Iberia</b>	<b>581.6</b>	<b>561.4</b>	<b>3.6%</b>
Tobacco & Related	278.4	272.1	2.3%
Transport Services	270.0	253.0	6.7%
Other Businesses	86.4	84.2	2.6%
Adjustments	(53.2)	(47.9)	(10.9)%
<b>France</b>	<b>277.7</b>	<b>264.2</b>	<b>5.1%</b>
Tobacco & Related	233.2	218.6	6.7%
Other Businesses	51.7	51.6	0.3%
Adjustments	(7.2)	(6.0)	(20.3)%
<b>Italy</b>	<b>286.1</b>	<b>290.4</b>	<b>(1.5)%</b>
Tobacco & Related	286.1	290.4	(1.5)%
<b>Corporate &amp; Others</b>	<b>3.6</b>	<b>2.2</b>	<b>64.5%</b>
<b>Total Economic Sales<sup>1</sup></b>	<b>1,149.0</b>	<b>1,118.2</b>	<b>2.8%</b>

<sup>1</sup> See appendix "Alternative Performance Measures"

## Adjusted EBIT<sup>1</sup> Evolution (By Segment)

Data in Million Euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	% Change
Iberia	120.2	114.2	5.3%
France	74.3	65.8	13.0%
Italy	81.0	79.5	1.9%
Corporate & Others	(13.6)	(13.6)	(0.2)%
<b>Total Adjusted EBIT<sup>1</sup></b>	<b>261.9</b>	<b>245.9</b>	<b>6.5%</b>

*Adjusted Operating Profit<sup>1</sup> (or indistinctly Adjusted EBIT<sup>1</sup>) 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<sup>1</sup> and typical margins of the Group. The following table shows the reconciliation between Profit from Operations and Adjusted Operating Profit<sup>1</sup> for fiscal years 2019 and 2018:*

Data in Million Euros	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018
<b>Adjusted Operating Profit<sup>1</sup></b>	<b>26.,9</b>	<b>245.9</b>
(-) Restructuring Costs <sup>1</sup>	(11.4)	(3.6)
(-) Amortization of Assets Logista France	(52.2)	(52.3)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	4.8	(0.5)
(+/-) Share of Results of Companies and Others	1.2	1.0
<b>Profit from Operations</b>	<b>204.3</b>	<b>190.5</b>

## 1.1 Business review

### 2. Iberia: Spain and Portugal

The Iberia segment's Revenues increased to €3,157.4 million compared to €2,812.6 million in fiscal year 2018, recording a 12.3% growth. The Economic Sales<sup>1</sup> of the segment reached €581.6 million, a 3.6% ahead of the €561.4 million recorded in the preceding fiscal year.

Revenues in Tobacco and related products increased by 14.6%, because of the growth of the activity both in Spain and in Portugal.

The volumes of cigarettes and RYO and others distributed in the Iberia segment showed a very positive performance in the year, increasing a 1.9% compared to fiscal year 2018 and growing in Spain as well as in Portugal, in the case of the later because of the increase in market share of the Group in that country.

In Spain, cigarette volumes distributed went up by 0.5% vs. the preceding fiscal year, turning around the negative trend in that year compared to the fiscal year 2017 (-1.6%). Distributed volumes of RYO (that includes the heated tobacco consumables) and cigars also maintained a more favourable trend than the previous fiscal year, increasing by 9.7% and reducing by 2.7%, respectively compared to 1.8% and -2.4% in the yearly comparison of the preceding year.

Generally, tobacco manufacturers maintained the retail selling price of their products stable during the fiscal year. This behaviour contrasts with the 5 cents increase in the pack of cigarettes during the first months of last year that translated into a positive impact on the results at the end of that fiscal year.

<sup>1</sup> See appendix "Alternative Performance Measures"

The activity of distribution of convenience products in tobacconists as well as in other channels as, for example, petrol stations continued its positive trend, so the Economic Sales<sup>1</sup> grew significantly compared to fiscal year 2018.

The Group continues focusing its growth strategy in this activity, through distribution agreements with manufacturers and networks of points of sale, which allows keeping on expanding its capillarity at the same that growing its penetration in the points of sale in which is already present.

In this sense, it is worth noting that in the last quarter of the fiscal year the Group reached an agreement with Cepsa by which the Group will be responsible of the distribution of the different products commercialised in the stores located in their petrol stations in Spain. This agreement, signed for three years, is currently reaching 900 point of sales, that could increase in the future and it joining the services that the Group was already providing to Cepsa in the Portuguese market.

Thus, Economic Sales<sup>1</sup> in Tobacco and related products grew by 2.3% comparing to fiscal year 2018 thanks to the good performance of the activity in the current that more than offset the positive impact of tobacco selling price increases in the preceding year.

Revenues in Transport recorded again, as a whole, a very solid performance, growing by 5.3%. However, the Economic Sales<sup>1</sup> performance has differed among the activities, being stable in Long distance while in Courier and Industrial parcel increased significantly. Economic Sales<sup>1</sup> in Transport went up by 6.7% to €270 million.

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, especially significant in courier.

Revenues in Other Businesses (which includes Pharma and publications activities) increased by 7.3% reaching €152.2 million and Economic Sales<sup>1</sup> went up by 2.6% to €86.4 million.

The Revenues of the Pharma business grew double digit in the year, joining growth of pre-existing activity and incorporation of new agreements during the period.

However, the distribution of publications in Spain has suffered reductions in Revenues and Economic Sales<sup>1</sup> because of the difficult situation the sector continues living.

Total operating expenses<sup>1</sup> in the Iberia segment increased by 3.2% in the period, below the increase reported in Economic Sales<sup>1</sup>.

Adjusted Operating Profit<sup>1</sup> reached €120.2 million, an increase of 5.3% with respect to last year.

In the fiscal year the restructuring costs<sup>1</sup> amounted €2.2 million (slightly above preceding year, that reached €2.0 million in the preceding year), that together with, among other factors, the capital gain from the sale of a building in Portugal (€2.5 million) and the positive result of the impairment test of one of the business of the segment (€2.5 million) allowed The Profit from Operations increased by 11.3% to reach €124.2 million versus €111.6 million recorded at the end of fiscal year 2018.

### 3. France

Revenues from the France segment grew by 1.2% to €4,069.5 million while Economic Sales<sup>1</sup> increased by 5.1%, to reach €277.7 million.

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<sup>1</sup> See appendix "Alternative Performance Measures"



Tobacco and related products Revenues grew by 1.3% to €3,891.7 million due to the increase in tobacco prices and despite the decline experienced by distributed tobacco volumes vs. last year, both in cigarettes (-6.5%) and in RYO, that includes as well heat-not-burn consumables (-5.5%).

This evolution, despite being negative, could be considered as positive, considering the significant rise in the retail selling price of these products during fiscal year 2018 and current fiscal year, as a consequence of the schedule by the French Government to raise excise taxes until 2020.

As of 1 March 2019 the increase of 50 cents of the tobacco excise taxes foreseen in the mentioned excise tax increase plan which target is to raise the price of a cigarette pack to 10 euros in year 2020 took place. Additionally, as happened last fiscal year, a new increase in the commission the tobacconists receive on the sale of tobacco products entered into force on 1 January.

The reaction in the retail selling price of the pack of 20 cigarettes has been a rise that reached, depending on the manufacturers and for most of the brands, between 50 and 90 cents (increasing the price of the most sold brand to €8.80). Due to these movements, at positive net global impact in the valuation of Group's inventories was recorded in the results.

In the same period last year, tobacco manufacturers passed-through only partially the tax increases in November and March (€1.35 in total) and did not pass-through the increase of the tobacconists' commission to the consumers. The global impact on the Group's valuation of inventories of these movements of prices, taxes and commissions was negative at the end of the fiscal year 2018.

The performance of the Economic Sales<sup>1</sup> of convenience products and electronic transactions was positive in both cases.

Thus, Economic Sales<sup>1</sup> of Tobacco and related products increased significantly, +6.7%, to €233.2 million, despite the Revenues grew by 1.3% over the same period in the previous year.

The Other Businesses activity (wholesale distribution of convenience products in non-tobacconist channels) experienced a slight decrease of 1.1% in Revenues, in a still difficult consumption environment, characterised by a strong price competition. However, the strategic selection of clients by profitability as well as by category of products with a higher margin help improving Economic Sales<sup>1</sup>, that grew slightly (0.3%) compared to the previous fiscal year.

The total operating costs<sup>1</sup> of the France segment increased by 2.5% so Adjusted Operating Profit<sup>1</sup> improved to €74.3 million, a 13.0% higher than in the preceding year.

During current fiscal year, a plan for restructuring the operations of distribution of both tobacco and convenience products to tobacconists implying the closure of two of the warehouses operating in the country has been implemented, as well as the reorganisation of activities among the rest of the centres.

This way, the restructuring expenses<sup>1</sup> in the period (€7.4 million) were much higher than the €1.0 million registered in 2018 and drove Profit from Operations to €14.6 million, vs. the €12.5 million recorded in the same period of 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 fiscal years.

#### 4. Italy

The Revenues in the Italy segment increased by 10.2% to €2,961.6 million driven by a significant increase in the sale of convenience products, as well as by the higher prices of tobacco products.

The volumes of cigarettes distributed reduced in the fiscal year, 3.5%, slightly above the yearly comparison in fiscal year 2018 (-2.5%) while the RYO category, (that includes as well heat-not-burn consumable)

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<sup>1</sup> See appendix "Alternative Performance Measures"

continued growing in a significant manner and increased by 32.1% vs. 19.7% recorded in the preceding fiscal year.

In current fiscal year, retail selling prices of tobacco in general increased during the second quarter, as a consequence of the excise tax increases in the traditional tobacco categories entering into force on 1 January 2019. The price increase was generalized and ranging from 10 to 20 cents per pack of 20 cigarettes. Likewise, during current fiscal year, a reduction of excise taxes on the new categories of products (heat-not-burn tobacco and e-cigarettes) took place, which provoked that the retail selling price of some of these products was reduced. The global net impact in the valuation of the Group's inventories of these movements has been positive at the end of current fiscal year, although much lower than in the same period of the previous fiscal year.

During the fiscal year 2018, some tobacco manufacturers raised too the price of some of their products between 10 and 20 cents, although this increase was not accompanied by an increase of taxation beyond the slight automatic update of excise taxes derived from the weighted average price of the previous year.

The trend in the distribution of convenience products during the year has been very positive and translated into a growth rate higher than 20% compared to the last year.

However, the revenues from services rendered to manufacturers linked to NGP (Next Generation Products) have reduced vs. last year.

Because of all trends mentioned before, Economic Sales<sup>1</sup> in the Italy segment went down by 1.5% in current fiscal year.

Total operating costs<sup>1</sup> of the segment reduced by 2.8% with respect to last fiscal year, improving the drop registered in Economic Sales<sup>1</sup>, allowing a 1.9% growth on Adjusted Operating Profit<sup>1</sup> to €81.0 million.

The restructuring costs<sup>1</sup> linked to the gradual efficiency improvement in operations were slightly higher (€1.8 million vs. €0.4 million in 2018), so Operating Profit stood practically flat around €79.2 million.

## *5. Corporate and Others*

This segment includes corporate expenses and the Polish operations.

Adjusted Operating Profit<sup>1</sup> was -€13.6 million, at the same level than in the preceding year.

### **1.2. Financial Result evolution**

The Group has a reciprocal credit facility agreement, with its majority shareholder (Imperial Brands Plc.) by which daily lends its cash excess, or receives the necessary cash to meet their payment obligations. The remuneration of the balances is set 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 during the fiscal year was €1,904 million compared to €1,796 million in the preceding fiscal year.

Financial results in the fiscal year stood at a similar level to the preceding fiscal year (+0.7%) in €12.8 million vs. €12.7 million in fiscal year 2018.

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<sup>1</sup> See appendix "Alternative Performance Measures"

### **1.3. Net Income evolution**

The capital gain from the sale of a building in Portugal (€2.5 million) and the positive result of the impairment test in one of the businesses, mitigated the impact of the higher restructuring costs<sup>1</sup> recorded in the period (€11.4 million vs. €3.6 million) and drove Earnings Before Taxes to €217.1 million, a 6.9% above the recorded in the previous year.

The corporate tax rate registered in the period reached 24.1% compared to 23.0% the preceding year.

Net Profit climbed by 5.1% in to €164.6 million.

Earnings per Share were €1.24 vs. €1.18 in fiscal year 2018, with no variations in the number of shares of the share capital.

At 30<sup>th</sup> of September 2019, the Company owned 486,013 own shares.

### **1.4. 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 increase of the results obtained in the period, the financial flows, the lower payments of corporate income tax, a level of investments more in line with the customary investments by the Group than the ones made in the preceding year, more than offset the variation of working capital in the year and translated into a higher free cash flow than in the previous year. This higher free cash flow translated into a higher cash generation even after the growth recorded in the remuneration to shareholders.

### **1.5. Research and Development activities**

The Group invested in I+D+i €6.0 million in the fiscal year 2019. Most of these investments were made to computing developments and improvement of communication with points of sale, to implementation of new technologies and databases as well as to the expansion of capacity, services and new developments for the control of routes and incidents management in the Transport area.

### **1.6. Treasury SHARES**

At September 30<sup>th</sup> 2019, the Group held in its balance sheet 486,013 own-shares, representing the 0.37% of the share capital. Own-shares were acquired in execution of the Share Buyback Program.

The Board of Directors, in its meeting of 24 September 2019, agreed 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 September 25, 2018-, pursuant to the authorization granted by the General Shareholders' Meeting of March 21st, 2018, to allocate them to the Beneficiaries of the 2014 and 2017 General and Special Plans in Performance Shares, who may consolidate their right to the delivery of shares, without any cost, in accordance with the Regulations of both Plans.

### **1.7. Average Payment Period To Suppliers**

The average payment period for commercial purchases during fiscal year 2019 has been 35 days.

## 1.8. Dividend policy

The Board of Directors intends to propose to the General Shareholders Meeting the distribution of a final dividend corresponding to fiscal year 2019 of €107.5 million (€0.81 per share) that will be paid at the end of the second quarter of fiscal year 2020.

Additionally, the Board of Directors approved in the Meeting of 23rd of July 2019, the distribution of an interim dividend corresponding to fiscal year 2019 of €0.37 per share (€48.9 million) that was paid on the 29th of August, 2019.

Therefore, the total dividend corresponding to fiscal year 2019 will amount around €156.4 million (€1.18 per share), a 5.4% increase over the total dividend distributed in fiscal year 2018.

## 1.9. Outlook

Current trading environment and the performance of our businesses suggest that in fiscal year 2020, Adjusted EBIT<sup>1</sup> could record a mid-single digit growth with respect to fiscal year 2019.

After the restructuring of the network taking place in France in fiscal year 2019 to adapt it to the new level of activity, the Group do not have the intention to implement new measures of that relevance, so it can be expected that restructuring costs<sup>1</sup> will be below those recorded in fiscal year 2019.

On the other hand, financial results will be similar to those obtained in the past fiscal year if, as look likely, there are not variation in the reference rate of the European Central Bank, if that is the case, it would have an impact on results.

Finally, a slight rise in the effective Corporate Income Tax of the Group is expected, as the deductions applicable for the Group were completed in the last fiscal years.

As a consequence of all the above, it can be expected that Net Profit records mid-single digit growth over fiscal year 2019.

## 2. SHARE PRICE EVOLUTION

Logista share price amounted €17.9 at the end of the fiscal year 2019 (September 30, 2019), so, Logista's market capitalization reached 2,373.6 million € at closing of the fiscal year 2019.

During the fiscal year, 41,954,961 shares were negotiated, reaching a rotation of the 31.6% of the total share capital. The daily average volume negotiated was 164,529 shares.

	<b>1 Oct. 2018 – 30 Sept. 2019</b>	<b>1 Oct. 2017– 30 Sept. 2018</b>
Market capitalization at the end of the period (€mill)	2,373.6	2,936.4
Revaluation (%)	-19.2%	+8.7%
Closing price (€)	17.9	22.1
Maximum price (€)	22.8	23.7
Minimum price (€)	17.7	17.2
Total negotiated volume (shares)	41,954.961	65,615.281
Average daily volume (shares)	164.529	258,328
Rotation (% of share capital)	31.6%	49.4%

<sup>1</sup> See appendix "Alternative Performance Measures"

### **3. STATEMENT OF NON-FINANCIAL INFORMATION**

#### **About this report**

The information given below is in response to Law 11/2018 of 28<sup>th</sup> December, amending the Code of Commerce, the re-cast text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2<sup>nd</sup> July, and Law 22/2015 of 20<sup>th</sup> July, governing Accounts Auditing, with regard to non-financial information and diversity.

Also considered in the drawing-up of this report were the European Commission's directives on the presentation of non-financial reports (2017/C 215/01) resulting from Directive 2014/95/UE. Account was also taken of the stipulations in the 'Guide to the preparation of reports on sustainability' of the *Global Reporting Initiative* (GRI Standards).

In this context, by means of the statement of non-financial information, Logista aims to report on environmental, social and personnel matters, the respect of human rights, the fight against bribery and corruption, and on the society, all of these being important for the Company in the pursuit of its own business activities.

In order to design the content of this report and select the important aspects, Logista carried out an analysis of materiality which enabled it to identify the most important aspects about which to report to its stakeholders, and to fulfil the requirements of current regulations relating to non-financial information.

Conversely, for all those matters which are not of material importance for Logista, this report deals with its management approach, but does not give detailed information about KPIs or other quantitative indicators, because they are not regarded as being representative of the Group's activity, as is the case with the consumption of water, which in view of the nature of the Group's activities is only used for sanitary purposes; pollution from noise or light is not an important consideration either, nor is the protection of biodiversity, since the Group's activity has no direct impact on protected areas.

All the indicators included in this report comply with the principles of comparability, materiality, relevance and reliability. In addition, the information included in it is accurate, comparable and verifiable.

This statement of non-financial information has been subjected to an independent external review procedure. The independent assurance report, which includes the objectives and scope of the procedure, as well as the review procedures used, and their conclusions, is attached as an appendix.

Additionally, Logista has elaborated the Annual Report on Corporate Social Responsibility that must be jointly considered with Logista's Non-Financial Information Statement because it expands information on environmental, social and employees-related, respect for human rights, fight against corruption and bribes relevant to the Group in developing its activity.

This Annual Report on Corporate Social Responsibility has been approved by the Company's Board of Directors in its meeting on October 29<sup>th</sup>, 2019, following a report from the Audit and Control Committee, as stated in the Logista Group's CSR Corporate Policy.

#### **3.1. Business model**

##### **3.1.1. Description of the business model**

Logista is the largest distributor of products and services to proximity businesses in southern Europe, which serves about 300,000 points of sale in Spain, France, Italy and Portugal, providing access to the market for tobacco and convenience products, electronic recharging, pharmaceutical products, books, publications and lotteries, among others, in an efficient and transparent manner, and with total control over these operations.

Logista combines specialised services of distribution and integrated logistics with exclusive added-value services and powerful business intelligence tools, all in a flexible manner so as to satisfy its customers' needs while complying with the requirements and regulations of each sector.

Logista's proposal in terms of quality is based on its ability to combine the provision of state-of-the-art services of wholesale distribution and logistics with other, added-value and advanced services to customers throughout the value chain. This fosters synergies and economies of scale which benefit its customers, allowing them to concentrate on the main operations of their activities, assuring them of transparency on their route to market, and respecting their product strategies.

Logista concentrates in a single provider all the services which constitute the supply chain, in a transparent manner, with full traceability, and with the most advanced and specialised services in every sector and channel of points of sale in which it operates.

In order to provide these services, Logista has a complete network of infrastructures integrated with its transport network and its information systems, covering the complete value chain from the collection of products to the delivery at the points of sale.

Logista's logistic activities in its 37 central and regional warehouses consist of warehousing, stock management, order management and preparation, grouping, packing and despatch, while ensuring capillarity and proximity to the point of sale by means of its 610 service points.

Through its extensive distribution network, Logista manages the distribution of a wide range of consumer goods to more than 300,000 points of sale (tobacconist's, convenience and chemist's shops, kiosks, bookshops, etc.) in Spain, France, Italy and Portugal, which are visited by about 45 million consumers every day. Logista also distributes among wholesalers of tobacco products in Poland.

The Logista Group performs omnichannel marketing of products and services by means of its web platforms, more than 47,000 point-of-sale terminals installed, 610 service points, and cash & carry establishments, call centres and salesforces, with the collaboration of approximately 15,000 collaborators spread over the five countries where the Group is present, 5,980 of whom are direct employees.

The whole Group shares the values of respect, professionalism, initiative and commitment. These values are expressly included in the Code of Conduct, and together with other guides to behaviour which also appear in that Code, they sustain the unique business model which is characteristic of the Logista Group.

### **3.1.2. Organisation and structure**

Logista's corporate governance is assured by the following bodies:

- The General Shareholders' Meeting
- The Board of Directors
- The Audit and Control Committee
- The Appointments and Remuneration Committee
- The Senior Management

The Group's organisational structure is based on General Directorates for each country, each of which is headed by one person, to whom the Directors of the country's business lines report.

The report on management accounting is produced in accordance with this initial segmentation by geography, and there is a secondary report covering the Revenues and Economic Sales of each business line.

Logista has three business lines: Tobacco and Related Products, Transport and Other.

#### **(a) Tobacco and Related Products**

In this line of business, Logista provides services in Spain and Portugal (Iberia), France and Italy.

Logista includes the distribution of tobacco and related products in this line of activity because they are distributed principally through the tobacconists channel in Spain, France and Italy, and in the same channels as those that distribute tobacco in the case of Portugal.

(b) Transport

Logista's transport business consists of the management of long-distance and full-load transport in Europe, controlled-temperature capillary transport in Spain and Portugal, and an express courier service for parcels and documents in Spain and Portugal.

In this business line, Logista provides transport services to its own businesses, as well as to third parties.

(c) Other

Under this heading, Logista includes distribution and logistics services for pharmaceutical products and publications in Iberia, and wholesale distribution services for convenience products to points of sale other than tobacconist's shops, in France.

The Logista Group is composed of the **Compañía de Distribución Integral Logista Holdings, S.A.**, whose head office is in Leganés, Madrid, and its direct and indirect subsidiaries. Details are 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%)
  - Proवादिसा (100%)
  - Las Rías (100%)
  - Distribuidora de Ediciones Sade (100%)
  - Distribuidora del Noroeste (51%)
  - Pulisa (100%)
  - Distribución 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%)
- Logista Transportes e Transitos (100%)
  - Logesta Lusa (49%)

- Logesta Polska (49%)
- Logesta Polska (100%)
- UTE Logista - GTech (50%)

### **3.1.3. Markets of operation**

The Logista Group distributes tobacco products, convenience products, electronic re-charges, pharmaceutical products, books, publications and lotteries, among other things, to about 300,000 points of sale in Spain, France, Italy and Portugal. Logista also distributes tobacco products to wholesalers in Poland.

Country-wise, Logista distributes to about 165,000 points of sale in Spain and Portugal, Logista France to about 50,000 neighbourhood points of sale throughout the country, while Logista Italy distributes to some 60,000 tobacconist's shops and convenience shops in Italy.

### **3.1.4. Objectives and strategies**

Logista has developed a business model which is unique in the market, and which is transforming the model of distribution to specialised channels of retail points of sale by providing manufacturers and retailers with an omnichannel nearness that is simple, efficient and modern, for a very wide range of products and services, adapted to the point of sale and to the end-user.

Logista respects the manufacturers' product strategies for each channel, and distributes their products, in a specialised and transparent manner, to the retail channels; while offering to the point of sale a very wide range of products and specialised services, adapted to its business and to the end-user, and providing it with tools which to improve the management and profitability of its business.

The main objectives of Logista's strategy are:

1. To strengthen the consolidated businesses.
2. To bring sustainable and future growth, by expanding this business base.
3. To offer excellence in the services and increase profitability through constant improvement in operational efficiency.
4. To maintain a solid generation of cash.

With regard to the first objective, Logista is continuing to consolidate its position of leadership in distribution in the tobacco sector and in transport.

So in distribution for the tobacco sector, Logista is continuing to renew and extend distribution contracts with the main manufacturers, both for traditional tobacco products and for new-generation products, by offering new added-value services.

With regard to transport, the Group's strategy of quality, differentiation and specialisation in its transport division enables it to maintain higher growth and profitability than those of the sector as a whole.

Moreover, Logista strives to keep abreast of regulatory changes in the sectors in which it operates, in order to position itself at the forefront, thereby reinforcing its competitive advantages – for example, in traceability in the tobacco and pharmaceutical sectors.

Concerning the second objective, the expansion of the business base, Logista tries to construct the best offer of products and services for the retail points of sale to which it distributes convenience products. To do that, it offers them omnichannel communication through e-commerce platforms, call centres, cash & carry establishments and salesforces, while continuing to enlarge its range of products to try to improve the management and profitability of its businesses.

Logista Pharma continues to add new customers, expanding its services to laboratories and pharmacies, and increasing the number of products distributed and the number of pharmacies to which it distributes.



With regard to its third objective, Logista has developed a vertical and integrated model of infrastructures for distribution, transport and information systems which enables it to improve efficiency in operations and transparency in supplying, while maintaining proximity to the point of sale.

In this way, Logista concentrates its logistic activities in automated central warehouses in order to increase volumes and benefit from synergies while getting closer to the points of sale, thanks to an extensive local network of hundreds of service points. This gives it the efficiency and operational flexibility that enable it to offer a specialised distribution service with complete coverage.

These first three objectives of the strategy form the basis which enables the Logista Group to obtain, repeatedly, a solid cash generation which helps it to achieve its final objective, which is the creation of sustainable value.

### **3.1.5. The main factors and trends which could affect Logista's future development**

The progression of Logista's various activities in the geographical areas in which the Group operates could be affected by political, social and/or macroeconomic conditions in the world, and in particular by the conditions existing in Spain, France, Italy, Portugal and Poland.

- The regulatory environment

The regulatory environment in both the tobacco sector and the pharmaceutical sector involves performing an increasing number of exhaustive checks on the distribution of those products, so companies have to be capable of fulfilling the requirements if they wish to continue operating in the future. Logista not only fulfils the requirements, but also anticipates them by offering new services to each of the sectors in which it distributes.

- Next-Generation Products

New products are appearing in connection with tobacco, complementing the limited offer that was available only a few years ago. The Group offers the manufacturers of these products the best and fastest route to the consumer in all of southern Europe, thanks to the high degree of capillarity in its national businesses.

- Environmental requirements

Customers are demanding more and more in terms of the environmental requirements affecting the provision of services. In this context, Logista has produced a Master Plan for Quality and the Environment, and also a Policy on Quality, the Environment and Energy Efficiency. Together, the two Plans establish the guidelines and good practices which optimise the use of resources and prevent pollution from processes. The Group checks its "carbon footprint" in accordance with ISO 14064, taking the methodology of the GHG Protocol as its reference.

Logista's efforts in this regard have been recognized by several international bodies. Logista is therefore one of the companies which the CDP has included on its prestigious "A List", as one of the worldwide leaders in the fight against climate change, and it is the only European distributor to have obtained this recognition in the past three years. Moreover, the CDP also recognized Logista as the "CDP Supplier Leader 2018".

In addition, Logista forms part of the FTSE4Good index, which is composed of companies which have demonstrated their solid practices in environmental and social matters, and in corporate governance.

## **3.2. Environmental matters**

The Logista Group is committed to minimizing the impact of its activity on the environment.

Its Master Plan for Quality and the Environment, and its Policy on Quality, the Environment and Energy Efficiency establish the guidelines and good practices which optimise the use of resources and prevent

pollution from processes, in accordance with strict regulatory compliance and with the voluntary objectives to which the Group subscribes.

In this context, Logista undertakes various actions designed to control and manage the current and foreseeable effects of its activity on the environment, and to tackle the significant environmental aspects.

Logista has thus defined the main environmental and quality indicators needed for its sustainable development, which it checks and evaluates regularly, carrying out energy audits in each country and for each business.

In addition, Logista promotes, among its employees, customers, suppliers and society at large, respect for the environment. The Policy on Quality, the Environment and Energy Efficiency may be consulted both on the Intranet and on the Group's corporate website, so that all the employees and the other stakeholders are familiar with it.

The Group has also checked its "carbon footprint" in accordance with ISO 14064, taking the methodology of the GHG Protocol as its reference, and, in addition, in accordance with ISO 14001, the system of certified Environmental Management for Logista's businesses in Spain..

- *Risks related to environmental matters*

Logista includes environmental risks and opportunities in its multidisciplinary procedure for managing risks in the whole Group. The process of assessing risks takes account of environmental risks and opportunities, including, among others, those caused by changes in regulations, the physical environment and other developments connected with the climate.

The Logista Group's system of risk management stipulates that the identification and assessment of risks, including those related to the environment, have to be carried out at least once per year. However, in practice the frequency is greater (every week or more frequently) due to the continual monitoring and reviewing of the risk management process.

This process of risk management applies to all of the Logista Group's businesses in all of the countries in which it operates (Spain, France, Italy, Portugal and Poland), and to all the Group's Corporate Directorates.

The results of this process of risk identification and assessment are reported to the Audit and Control Committee.

Logista's process of risk management is as follows:

#### 1-Identification

The risks which could jeopardise the achievement of the Group's aims are identified, either by means of interviews or by means of questionnaires.

#### 2- Analysis

A risk must be described in terms of its causes and contributing factors, and the consequences for the Group if the risk materialises must be specified.

#### 3- Assessment

An assessment is made of the impact of the inherent risk and of the residual risk, and of probability of their occurring. The degree of tolerance is then defined, and finally, the degree of correlation.

#### 4- Management

Based on the degree of correlation determined in the previous stage, the Group's possible responses to the risk are analysed and the response chosen is placed in one of the following four types: eliminate, mitigate, transfer, accept.

In addition, action plans will be made.

#### 5- Control and monitoring of processes, and 6- Information and communication

The risk management process is continually monitored and reviewed. The relevant information about the risks, from and to all the levels involved in the management of the Group's risks, is managed by means of tools such as the Register of Risks and the Map of Risks.

All the Logista Group's businesses and all the Corporate Directorates report this information to the Internal Auditing Department, which, so that it can regularly update the Group's Map of Risks, monitor the action plans that have been approved, and inform the Audit and Control Committee, which will subsequently inform the Board of Directors, about any new risk, about any changes in the existing risks, about progress in the action plans, etc.

#### **Procedure for prioritising the risks and opportunities that are related to the climate:**

The risks and opportunities resulting from climate change are prioritised on the basis of scores produced by the application of the corporate methodology. All such risks, and not only those that could have a significant impact, are taken into account in the Company's strategy and objectives.

The methodology generally considers a period of between 5 and 7 years, because a longer period would involve more uncertainty; but a longer period can be considered for certain types of risk.

The procedure for prioritising environmental risks and opportunities follows the same stages as the procedure for risk management in the whole Group.

The main risks that are related to the environment, their importance for the Logista Group and the need for their inclusion, are shown below:

<b>Risk</b>	<b>Importance, Inclusion</b>	<b>Explanation</b>
<b>Current regulations</b>	Important; always included	<p>The carbon taxes on fossil fuels are important for Logista, because although the Logista Group sub-contracts the vehicles for its transport activity and incorporates them into that activity, any carbon tax that is applied to fossil fuels will affect Logista's operational costs due to its impact on the charges of the transport provider sub-contracted by Logista.</p> <p>For this reason, this kind of risk has been classified as important, with a high probability of materialising, and a moderate to low impact.</p>
<b>New regulations</b>	Important; always included.	<p>The Paris Agreement has been ratified by all the countries in which Logista operates, and it is very probable that when it comes into force, those countries will define and implement their own "climate plans", which could include strategies for decarbonising the road-transport sector.</p> <p>The Logista Group could be indirectly affected by this risk because its transport operations are sub-contracted, and represent more than 90% of all Logista's emissions.</p> <p>This kind of risk has been classified as important, with a high probability of materialising, and a moderate to low impact..</p>
<b>Technology</b>	Important, sometimes included	<p>The new technology designed to reduce emissions of carbon from transport is important for Logista, because 90% of its emissions are generated by the activity of its transport division.</p> <p>On 17<sup>th</sup> May, 2018, the European Commission presented draft legislation to establish the first standards of CO2 emissions for heavy vehicles in the EU, and to promote the use of vehicles with zero or low emissions.</p>

		This kind of risk has been classified as "important, sometimes included", the likelihood of its materialising as "probable", and the magnitude of the impact as "moderate to low".
<b>Legal</b>	Not important, but included.	<p>The legal risks have been classified as "not important", due to the nature of Logista's business activity.</p> <p>Moreover, the Group considers that there is little probability of this risk materialising, and that the impact would be low.</p>
<b>Market</b>	Not important, but included.	<p>Logista distributes various kinds of products, so a change in consumers' behaviour could affect the Group business concerned.</p> <p>This risk has been classified as not important for Logista.</p>
<b>Reputation</b>	Not important, but included.	This risk has been classified as not important for Logista, because the Group's business model helps to minimise the main climate-related impact.
<b>Serious material</b>	Not important, but included.	<p>Serious material risks are those caused by events, including the greater severity of extreme meteorological events, such as cyclones, hurricanes and floods. Cyclones and hurricanes do not affect the countries in which Logista operates. However, floods are possible, although the probability of floods is very low.</p> <p>The occurrence of floods or snowstorms could cause an interruption to distribution in the Group's warehouses.</p> <p>However, the number and frequency of these events are very low, and they have affected only one of Logista's 647 installations on one single occasion.</p> <p>So the risk has been classified as unimportant, the risk of its materialising as improbable, and the magnitude of impact as low.</p>
<b>Chronic material</b>	Not important, but included.	<p>Patterns of temperature and precipitation could change, and this would affect animal species such as <i>Lasioderma serricorne</i>, commonly known as the tobacco beetle. Logista stores and distributes the final tobacco product, so the probability and the impact of any plague are much lower than in the manufacturer's premises.</p> <p>This risk has therefore been classified as unimportant.</p>
<b>Upstream</b>	Not important, but included.	<p>"Upstream" risks are those that are directly related to serious material risks connected with the climate (extremes in precipitations and droughts, or a greater incidence of storms).</p> <p>Patterns of temperature and precipitation could also change, interrupting the supply chain. There is a low probability of these risks materialising, because suppliers and manufacturers are constantly seeking the most favourable sites. Furthermore, Logista's high storage capacity for the products of its principal clients enables it to continue supplying products to its final customers for several weeks even if there are interruptions in the supply chain.</p> <p>So this risk has been classified as not important for Logista, the risk of its materialising as improbable, and the magnitude of impact as low.</p>
<b>Downstream</b>	Important; always included	<p>"Downstream" risks are those that are directly related to "current regulations" and to "emerging regulations".</p> <ul style="list-style-type: none"> <li>Emerging regulations: carbon tax: Any carbon tax applied to fossil fuels will affect Logista's operating expenses because it will affect the charges of the transport provider sub-contracted by the Logista Group's transport division.</li> <li>Emerging regulations for road transport: Logista is indirectly affected by this risk, being part of the supply chain, because it sub-contracts the vehicles managed by its transport division.</li> </ul>

		Because of everything mentioned above, this kind of risk has been classified as important for Logista, with a probable risk of materialising, and a moderate to low impact.
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Among the resources which the Logista Group devotes to the prevention of environmental risks are the following:

	<b>FY 2018-19</b>
Resources devoted to the prevention of environmental risks (nº of people, with different dedication %)	67
Resources devoted to the prevention of environmental risks (€)	1,464,469

In view of the nature of the Group's activity, Logista has made no provisions or guaranties of an environmental nature which could be significant in relation to the Company's equity, financial situation or results. However, as a precaution, Logista is insured, through a civil responsibility policy, against claims for personal injury or damage to property caused by accidental, sudden and unforeseen pollution or contamination.

### **3.2.1. Pollution and climate change**

The Group measures its "carbon footprint" and promotes its reduction, as one of the Group's initiatives designed to minimise the impact of its activity on the environment.

The Logista Group calculates the "carbon footprint" of all its businesses and activities in the various countries in which it operates, including most of the Group's externalised activities, as 100% of the emissions resulting from the transport operations and franchises, and also from the indirect activities such as the purchase of goods and services, based on the standard and the emission factors used to report Greenhouse Gases under the Greenhouse Gas Protocol and the UNEEN standard 16258.

An independent accredited body verifies the calculation under the UNE-EN ISO standard 14064, to confirm the figures, the reliability and traceability of this process.

The Group's transport division also informs its clients, without charge, of the "carbon footprint" of their deliveries and journeys.

Thanks to Logista's continuous efforts to optimise energy efficiency in its processes and installations, the Group has significantly improved the efficiency ratio, although the increase in activity has involved an increase in emissions in absolute terms.

<b>Emissions of greenhouse gases (t CO2 eq)</b>	<b>FY 2018-19</b>
Scope 1	34,827
Scope 2	276
Scope 3	194,677

#### ▪ *Pollution from noise and light*

With regard to noise, each of the Logista Group's premises measures the noise existing by day and by night, with the frequency indicated by the environmental permit. When the measurements reveal values that are close to the legal limit, there are clear action plans to correct the level of noise.

With regard to pollution from light, it is not significant, so the Group has made no specific arrangements in this connection.

- *Measures to reduce carbon emissions*

The Group reduces these emissions by continually optimising routes and by renewing agreements with transport fleets, including their criteria for efficiency.

The Group is also encouraging its transport division to gradually increase the number of its vehicles which run on less polluting fuels.

More than 90% of the Group's premises, including all the directly-managed centres in Spain, France, Italy and Portugal, use electricity of renewable origin.

The reduction of emissions of greenhouse gases is also fostered by the measures taken to improve energy efficiency and increase the use of renewable forms of energy, which are described below, in Chapter 3.2.3.3 (Consumption of Energy).

- *Targets in the reduction of emissions*

#### Overall Target for the Reduction of Emissions

Logista has developed its own Sustainability Index to identify opportunities to reduce emissions, based on the initiative called Science-Based Target (SBT).

After analysing all the existing methods, Logista considered that the GEVA method (Greenhouse gas emissions per unit of added value) was the method best suited to its activity.

Logista has reviewed this method and adapted it to its transport activity, because it is the most pertinent in terms of emissions within the Group. The proposed unit must therefore take account of the distance covered.

This indicator shows the Overall Performance of Logista's emissions because it includes Scope 1 emissions (which include the emissions from transport activities with operational control), Scope 2 and Scope 3 emissions (which include all the emissions from transport activities without operational control: upstream and downstream emissions) as well as emissions from the franchises' transport.

Logista has considered the recommendations of the CDP concerning "year-on-year" reduction, and aims at an annual reduction of emissions of 2.1%. Logista has also included the vast majority of Scope 3 emissions in its targets, in accordance with the aforementioned GEVA recommendation, because 83% of Logista's emissions come from Scope 3 categories. The result is an Overall Target which represents and includes 95% of all Logista's emissions (considering Scopes 1+2+3).

$$\frac{\text{Scope 1} + 2 (\text{market-based}) + 3 (\text{transport})}{TmCO2e \text{ per M€\&Mkm}}$$

Target for 2030= 30 % reduction (baseline year: 2013)

Target for 2050= 54% reduction (baseline year: 2013)

#### Target for Consumption of Renewable Energy

Logista, being committed to renewable energy, aims to consume green energy in all its direct branches in Spain, France, Italy and Portugal (Poland is not considered because its consumption of electricity represents 1%).

Target for 2020= 99% (already achieved)

- *Measures adopted to adapt to the consequences of climate change*

The current system of risk management provides for the analysis and definition of action plans to deal with the consequences that the change of climate may have for the Company, in the short and medium terms.

▪ *Recognitions*

In January, 2018, the CDP included the Logista Group on its prestigious "A List" for the third consecutive year. The Group stands out as the only European distributor on the list, thus identifying Logista as a leading company, worldwide, in the management of climate change.

Logista has also been recognized as "CDP Supplier Leader 2018" for its performance in the CDP's "Supply Chain Programme", in which it has participated since 2010 in order to respond to the requirements of some of its principal clients.

Every year, Logista sends to the CDP information about the Group's management of climate change, at corporate level and at the level of the various businesses. This information may be consulted on the CDP's website.

### 3.2.2. The circular economy and the prevention and management of waste

The Group has significantly reduced waste and emissions from its activity through the use and recovery of re-usable cardboard boxes, by means of a system already implemented in Logista's centres in Spain, France, Italy and Portugal, and in its transport network specialising in an express courier service for parcels and documents.

Due to the nature of its activity, the main types of waste currently generated by the Company are: paper and cardboard, wood (pallets), municipal waste, plastics and oils (there are other types).

In quantitative terms, and classified according to how hazardous they are and their destination, the different types of waste generated by the Group in 2018-2019 were:

	<b>FY2018-19</b>
Hazardous waste (t)	14.61
	Destination:
	- Recycling: 13.05
	- Rubbish dump/Landfill: 1.55
	- Re-use for energy: 0.01
Non-hazardous waste (t)	14,787.14
	Destination:
	- Recycling: 12,953.27
	- Rubbish dump/Landfill : 1,488.39
	- Re-use for energy: 345.48

### 3.2.3. The sustainable use of resources

The Logista Group is aware of the importance of the efficient use of resources. That is why it compiles and analyses information about the consumption of water, about waste and about the materials that are the most important for the Group.

### 3.2.3.1. Water

- *Sources of consumption*

The discharging of waste water is not considered important in the Logista Group because, due to the Group's type of activity, this water is poured into the municipal water systems.

In FY 2018-2019, water represented 0.01% of the Group's impact on the environment, because it is only used for sanitary purposes.

The consumption of water in 2018-19 was of 93,873 m<sup>3</sup> from the supply network, and was in accordance with the local limits.

### 3.2.3.2. Consumption of raw materials, and the measures adopted to improve efficiency in their use

The principal raw materials consumed by the Group, and the quantities consumed in 2018-2019, are shown below:

	Quantity consumed in 2018-19 (t)
Air pad film	112.36
Cardboard boxes and lids	8,047.24
Pallets	3,018.58
Paper	339.85
Plastic bags: single use	19.23
Re-usable bags	5.75
Wrapping film	468.04
Biodegradable bags	0.04

- *Efficiency measures*

Among the efficiency measures to improve the use of raw materials is the recovery of re-usable cardboard boxes by the use of a system which involves specific actions for continuous improvement.

In addition, the Group's Policy on the Environment, Quality and Energy Efficiency includes among its commitments the implementation of policies and good practices for the reasonable use of resources, the formula which defines its processes being optimisation.

### 3.2.3.3. Direct and indirect consumption of energy, measures taken to improve energy efficiency, and the use of renewable forms of energy

The main sources of energy consumption in the Company are electricity, natural gas, diesel and fuel oil. The quantities consumed are shown in the following table:

	Consumption of energy 2018-2019 (Kwh)
Electricity	51,381,501
Natural Gas	11,618,113



	536,880
Others	Diesel: 426,816
	Fuel Oil: 110,064

▪ *Measures to improve energy efficiency*

Logista is implementing several action plans in order to achieve savings in the consumption of fuel and energy. Examples are: optimisation of routes, adjustment of the volume to the existing infrastructure, the setting of local objectives and initiatives for reduction in our principal warehouses, the introduction of criteria for energy efficiency in both new and existing installations, etc.

Energy audits are carried out regularly on the Group's principal processes and warehouses. The results are used to identify and prioritise actions to reduce consumption.

Other actions undertaken by Logista to reduce the consumption of energy include:

- The obtention of LEED/BREAM certifications for new installations. Examples are: the new warehouse for wholesaling activity in Cabanillas (Spain) and the new warehouse for the new-generation products of a client in Bolonia (Italy). Both were designed and constructed in accordance with the strictest standards of energy efficiency.
- The continuous implementation of corporate and local projects (monitoring of consumption, replacement of lighting, improvement of insulation, renewal of equipment, etc.).

▪ *Measures to increase the use of renewable energy*

Being committed to renewable energy, Logista aims to consume green energy in all its direct branches in Spain, France, Italy and Portugal.

In FY 2017-2018, Logista consumed 54,230 MWh, of which 53,792 MWh represented low-carbon electricity at its Scope 2 market value. In FY 2018-2019, Logista's consumption of energy decreased to 51,381 MWh, corresponding to the purchase of 51,028 MWh of renewable energy. Consumption of this amount of renewable energy represents an estimated saving of 14,392 metric tons of CO<sub>2</sub>e compared with the consumption of conventional energy, taking account of the different emission factors in each country.

### **3.2.4. Protection of biodiversity**

The Logista Group's activities have no direct impact on protected areas, so biodiversity is not one of the Company's material considerations.

In FY 2019, there was no significant impact on biodiversity.

### **3.3. Social and personnel matters**

Logista regards its professional people and its collaborators as a crucial and fundamental factor in the achievement of its objectives, and in the generation of value in the short, medium and long terms. Respect, initiative, commitment and professionalism are the values which govern the conduct of the Group's 5,980 employees of 50 nationalities, and of the professional people who regularly collaborate with Logista.

In FY 2018-2019, Logista continued with the deployment of the Human Resources Master Plan for 2018-2020, which structures the human resources strategy based on the objectives of the Group and of each of its businesses, and which increases efficiency and has an impact on those businesses and on their employees.

The Human Resources Master Plan has four constituent parts:

- The "HR Roadmap": which fixes the priorities in human resources, based on the objectives of the Group and of each of its businesses.
- The "Balanced Scorecard/BSC": which measures the degree of achievement of the objectives set in the "HR Roadmap", takes decisions and makes action plans based on key metrics in the management of the human resources.
- Centres of Excellence: which offer specialised services for recruitment, development, compensation, communication with employees, employment relations, and health and safety at work.
- Shared Services Centres: which are intended to promote standardisation and efficiency in processes and systems and to manage "big data" in order to identify potential actions for improvement, both descriptive and predictive.

The Logista Group is also committed to the maintenance and creation of employment, promoting long-term employment relationships in a working environment with high levels of motivation and satisfaction.

This is reflected in the increase in its total number of staff from 5,819 employees in FY 2017-2018 to 5,980 employees in FY 2018-2019, and in the Group's permanent employment, which increased from 4,946 to 4,985 employees.

In order to continue strengthening the feeling of belonging and the motivation of its collaborators, its employees and their families, the latter have been given the opportunity to take part in various solidarity actions in several countries where the Group is present.

The Logista Group manages talent with a view to achieving objectives and generating value in the short, medium and long terms. During FY 2018-2019, the Centre for Excellence in Recruitment, with the aim of promoting efficiency in the attraction of talent and its retention in the Group, continued to introduce competitive tools that had been tested in the market, and continued to improve its processes and efficiency by analysing metrics and engaging experts, in order to attract the best candidates and assimilate them into the Group. Clear examples are the implementation of team-management policies, participation in the principal forums of the business schools, universities and career fairs of each country, the improvement and promotion of tools for selection procedures, the recruitment of young people with "junior" profiles through the "Youners", project so that they can develop their professional careers in the Group, and the plans for welcoming and assimilating new employees.

Another of the Logista Group's aims in relation to its employees is to implement remuneration and social benefits that are competitive in the marketplace, both for individuals and overall. To do that, the Group has a comprehensive policy on remuneration, and a series of local social-benefit policies aimed at engaging and retaining the best professional workers. In addition, the Group produces studies of the marketplace and of internal equity and external competitiveness (benchmarks) which facilitate the taking of decisions and the management of the teams in the various departments.

The main risks that the Logista Group has detected in connection with social and staff matters are the failure to retain key personnel and the failure to match person to post (especially in critical posts), because the loss of key staff, or shortcomings in their training, could increase the risk of not having the responsibilities of a particular post adequately discharged.

The main mechanisms for the management and mitigation of risk are:

- Procedures to identify the key employees who should be retained, and the application of policies which encourage them to stay.
- The implementation of procedures to identify critical posts, the efficient management of the people who occupy them, and the provision of robust succession plans for those positions.
- The implementation of a flexible human resources structure so as to adapt smoothly to the needs of the business.
- Globalised management of human resources to unify the criteria applied in the various subsidiaries.

### 3.3.1. Employment

The breakdown tables showing the main details of Logista's staff are the following:

- Total number and distribution of employees by gender, age, country and professional category at closing of fiscal year

<b>Employees by Gender</b>	<b>Total</b>	<b>%</b>
Female	2,197	36.74%
Male	3,783	63.26%
<b>Total</b>	<b>5,980</b>	<b>100.00%</b>

<b>Employees by Age</b>	<b>Total</b>	<b>%</b>
Under 30	674	11.27%
Between 30-50	3,958	66.19%
Over 50	1,348	22.54%
<b>Total</b>	<b>5,980</b>	<b>100.00%</b>

<b>Employees by Country</b>	<b>Total</b>	<b>%</b>
Spain	3,588	60.00%
France	1,346	22.51%
Portugal	526	8.80%
Italy	436	7.29%
Poland	84	1.40%
<b>Total</b>	<b>5,980</b>	<b>100.00%</b>

<b>Employees by Professional Category</b>	<b>Total</b>	<b>%</b>
Management	22	0.37%
Linne personnel and clerical staff	3,225	53.93%
Messengers	2,733	45.70%
<b>Total</b>	<b>5,980</b>	<b>100.00%</b>

- Total number and distribution of types of employment contract related to total employees at closing fiscal year

<b>Distribution of types of employment contract</b>	<b>Total</b>	<b>%</b>
Permanent	4,985	83.36%
Temporary	995	16.64%
<b>TOTAL</b>	<b>5,980</b>	<b>100.00%</b>
Full time	5,836	97.59%
Part time	144	2.41%
<b>TOTAL</b>	<b>5,980</b>	<b>100.00%</b>

- Annual average contracts by gender, type of contract, age and professional category (total contracts in the reported period)

<b>Number of contracts by Gender</b>	<b>Distribution by gender</b>	
	<b>Male</b>	<b>Female</b>
Permanent	3,494	2,010

Temporary	1,809	1,707
<b>TOTAL</b>	<b>5,303</b>	<b>3,717</b>
Full time	5,138	3,635
Part time	165	82
<b>TOTAL</b>	<b>5,303</b>	<b>3,717</b>

Number of contracts by age	Distribution by age		
	<30	>=30, <50	>=50
Permanent	384	3,751	1,369
Temporary	1,070	2,131	315
<b>TOTAL</b>	<b>1,454</b>	<b>5,882</b>	<b>1,684</b>
Full time	1,407	5,770	1,596
Part time	47	112	88
<b>TOTAL</b>	<b>1,454</b>	<b>5,882</b>	<b>1,684</b>

Number of contracts by professional category	Management	Line personnel and clerical staff	Messengers
Permanent	23	3,212	2,269
Temporary	0	799	2,717
<b>TOTAL</b>	<b>23</b>	<b>4,011</b>	<b>4,986</b>
Full time	23	3,931	4,819
Part time	0	80	167
<b>TOTAL</b>	<b>23</b>	<b>4,011</b>	<b>4,986</b>

- Number of dismissals by gender, age and professional category

Dismissals by Gender	Total
Female	82
Male	139
<b>Total</b>	<b>221</b>

Dismissals by Age	Total
Under 30	25
Between 30-50	134
Over 50	62
<b>Total</b>	<b>221</b>

Dismissals by Professional Category	Total
Management	0
Line personnel and clerical staff	128
Messengers	93
<b>Total</b>	<b>221</b>

- Average remuneration broken down by gender, age, and professional category

<b>Average Remuneration by Gender</b>	<b>Total €</b>
Male	37,308.00
Female	29,610.70

<b>Average Remuneration by Age</b>	<b>Total €</b>
Under 30	21,364.84
Between 30-50	32,091.16
Over 50	48,215.84

<b>Average Remuneration by Professional Category</b>	<b>Total €</b>
Management	532,056.68
Linne personnel and clerical staff	38,113.88
Messengers	26,234.79

In order to guarantee homogeneity in the calculation of the average remunerations and their typologies, the total gross remuneration includes the different fixed and variable remunerations, annualizing and adjusting them to FTE.

- The salary gap, the remuneration of same posts or average in society

<b>Salary Gap (€)</b>	<b>Salary Female/Male (%)</b>
Company	79.37%

Although the salary gap in the Group is 79.37%, an analysis of this gap by professional category shows that it reduces progressively as the professional category changes from Directors towards Warehouse Employees, where it is 91.19%, and may be due to length of service, etc. For the same post, the remuneration is similar.

- The average remuneration of Board Members and Managers, including variable remuneration, allowances, compensation, payment to long-term savings forecasting systems and any other gender-disaggregated perception

<b>Average remuneration of Board Members by gender (€)</b>	
Male	179,653
Female	111,467

The average remuneration of Board Members includes remuneration commensurate with their duties and responsibilities as Board Members. The four proprietary Board Members do not receive any remuneration for their duties and responsibilities as Board Members, so they are not included in the calculation of the average.

The average remuneration of Board Members by gender is increased mainly by the inclusion of the remuneration of the Chairman of the Board, which is higher because of his duties and responsibilities as such.

The remuneration of the Board Members is shown in greater detail in the Annual Report on the Remuneration of Board Members, 2018-2019.

<b>Average remuneration of Managers by gender (€)</b>	
Male	562,839
Female	224,230

- Introduction of policies of disconnection from work (digital disconnection)

On 6th December, 2018, Organic Law 3/2018 of 5th December, governing digital disconnection, came into force and is awaiting development of the regulation. Logista is adapting its procedures to conform to the new regulations.

Article 20 bis of the Workers' Statute stipulates, in relation to workers' right to privacy in connection with the digital environment, and their right to disconnect:

"Workers have the right to privacy in the use of the digital devices placed at their disposal by the employer, to digital disconnection, and to privacy in the face of the use of devices for video surveillance and geolocalisation, under the terms laid down in the current legislation governing the protection of personal data and the guarantee of digital rights."

- Disabled employees

Logista is continually seeking to collaborate very proactively with various foundations and associations which help and employ groups with disabilities and at risk of exclusion, with the aim of helping to insert them into the world of work. In FY 2018-2019 there were 123 employees with different capacities.

### **3.3.2. Organisation of work**

#### **3.3.2.1. Organisation of working time and measures aimed at facilitating the enjoyment of conciliation and encouraging the co-responsible exercise of these by both parents**

Logista offers various formulas for the organisation of working time, allowing its employees to ask for the reduced working day and offering flexibility in the starting and/or ending times in order to facilitate travelling and compatibility with its employees' personal lives. This promotes long-term employment relationships and a stable and motivating working environment.

Notable among the measures adopted are: a flexible timetable, a reduction in working hours together with an unbroken working day for those in a situation of legal guardianship, a shorter working day, and periods of leave, for those who have to care for a minor or a relative.

#### **3.3.2.2. Number of hours of absenteeism**

The Group monitors the absenteeism which it suffers. The number of hours of absenteeism in the fiscal year 2018-2019 is 491,883.60 hours.

### **3.3.3. Health and safety**

Logista regards the safety, health and well-being of its employees as fundamental for the Group, and is careful to ensure that the working environment is safe and healthy. The Centre for Excellence in Safety, Health and Well-Being focuses on the following basic objectives:

- To achieve a gradual reduction in the accident rates in the Group's businesses.
- To continue improving the safety conditions at work and making the work centres more and more healthy.
- To promote a culture of excellence in terms of the safety, health and well-being of our employees in the Group.

The Group has consolidated its OHSAS 18001:2007 certification, the international standard which defines an orderly management in the prevention of occupational risks.

In this context, the OHSAS 18001:2007 certifications of Logista Pharma, Nacex, Integra2, Logesta and Logista Libros in Spain are reviewed every year. In Italy, Logista Italia and the work centres of Bolonia and Crespellano also have this certification (OHSAS 18001:2007). In Portugal the certification of all the businesses in Alcochete (Lisbon) has been reviewed and in Poland the certification obtained by Logista Polska was reviewed two years ago.

Logista also pro-actively manages the safety, health and well-being of its employees. For that purpose, it has organised "workshops" with centres of reference in occupational health, which enable us to make progress in implementing improvements in the prevention of risks in our work centres.

In addition, various projects are carried out every year with the common aim of reducing the risks involved in the handling of loads. Notable among these projects are various pilot tests with lower-back exoskeletons, the installation of tilting tables, preventive physiotherapy plans and *in situ* training of the back.

Logista also informs its employees about possible risks to their health at their workstations, and gives specific training in all the businesses.

The main indicators of health and safety are as follows:

	<b>Total</b>	<b>Men</b>	<b>Women</b>
Accidents	121	88	33
Frequency Index*	11.83	13.65	8.74
Severity Index**	0.26	0.33	0.15
Confirmed occupational illnesses	0.00	0.00	0.00

\* Frequency Index = (Number of work accidents with leave / Number of hours worked) \* 1,000,000

\*\* Severity Index = (Number of days lost due to work accident with leave / Number of hours worked) \* 1,000

### **3.3.4. Social relations**

#### **3.3.4.1. The organisation of social dialogue, including procedures to inform and consult the employees and to negotiate with them**

Logista encourages an enduring, fluent and transparent dialogue with all its stakeholders. The Group therefore maintains channels for communication and two-directional dialogue with all of them, in order to take account of their needs and expectations, whether in financial, environmental or social matters.

In order to ensure that this dialogue is enduring and fluent, the Logista Group has set up specific channels of communication that are adapted to the characteristics of each stakeholder, although it also makes available channels of communication that are common to all of them, such as the Company's corporate website ([www.grupologista.com](http://www.grupologista.com)) and the corporate reports which it publishes every year.

#### **3.3.4.2. The percentage of employees covered by collective agreements, by country**

100% of Logista's employees, regardless of the country in which they work, are covered by a collective agreement or an enhanced agreement.

#### **3.3.4.3. The effect of the collective agreements, particularly in relation to health and safety at work**

All of the Group's own collective agreements, and the sectoral agreements to which the Group's companies are attached, envisage measures for health and safety at work. In addition, the Group adheres to the policy of Imperial Brands on Health, Safety and Well-Being. We are currently developing our own policy on Health, Safety and Well-Being at work, in accordance with the international standard ISO 45001.

### **3.3.5. Training**

Logista promotes the management of talent and the professional development of its employees, and training is one of the most important aspects of these.

Logista bases the individual development plans for its employees on the 3Es model: experience (70%), exposure (20%) and education (10%).

Logista is also committed to the geographical and functional mobility of its employees to advance their professional development. During the current year, several employees have been selected for temporary assignment to projects in other Group businesses and countries, and new international assignments have been initiated with the aim of increasing the international experience and transversal view of Logista's various businesses and areas, and of contributing to the standardisation of the Group's policies, processes and procedures.

In addition, the Centre for Excellence in Development has also developed other projects during the year, such as increasing the density of talent in critical positions in the Group, strengthening the succession plans for those positions, starting up individualised action plans which combine different initiatives in terms of assignment of projects, development and remuneration; and the "Youners" project which was mentioned above.

### **3.3.5.1. Policies implemented in the field of training**

The Logista Group has no specific policy in relation to training. However, during FY 2018-2019 it designed and implemented some training activities which, being based on business objectives, were related to leadership, the sales function, project management and technical knowledge, increasing individual and collective talent.

Training is one of the lines of action used to meet the strategic challenges, in terms of personnel, that are mentioned in Horizon 2020, namely, to attract, retain and develop talent.

### **3.3.5.2. Total number of hours of training by professional category**

<b>Hours of training by category</b>	<b>Hours</b>
Management	304
Linne personnel and clerical staff	42,542
Messengers	18,986

### **3.3.6. Universal accessibility for disabled people. Equality**

The Group's Policy on Social Responsibility expressly sets out Logista's commitment to diversity, equal opportunities and non-discrimination in all their forms.

- Diversity: people of 50 nationalities work at Logista.
- Equality: the Group has developed several initiatives aimed at equality as explained later in this section.
- Non-discrimination: Logista is continually seeking to collaborate very proactively with various foundations and associations which help and employ groups with disabilities and at risk of exclusion, with the aim of helping to insert them into the world of work.

The Group's Code of Conduct gathers together these principles and lays down the general guides to behaviour for all its employees, which are available on the Group's intranet to ensure that they are disseminated as much as possible, and that employees are familiar with them.

The Group continues to support sports activities, especially those intended for young people and those designed to involve disabled sportspeople.



In Spain, since 2011, Logista has also had a Joint Committee on Equality which lays down principles of equality and the rules which ensure that the human resources are managed in accordance with the following principles:

- No discrimination on grounds of gender or sexual orientation, or for any other reason prohibited by law.
- Respect for people above all other considerations.
- Professional behaviour in relations between employees and with the Management.
- The promotion of an appropriate working atmosphere which furthers professional development based on professional merits and training.

These are the principles which inspire Logista's Plan for Equality in Spain.

In this field, the following actions have been carried out in several of the Group's businesses:

- Actions to raise awareness of equality matters, including the distribution of leaflets.
- The creation of a protocol to prevent harassment.
- The creation of an Equality Committee.
- The implementation of a supplement of 100% of the real salary for all workers on maternity or paternity leave.

### **3.4. Human Rights**

Ever since it began to perform its activity, Logista has promoted a behaviour based on integrity and on ethical, business, social, respect of the environment, economic and transparent values. The Group's Policy on Corporate Governance sets out the values of the Company which, as it is a multicultural company, are based on respect, commitment, sustainable long-term development, professionalism, integrity and transparency, and on creating, furthering and supporting a philosophy based on integrity.

Logista also promotes and complies with the provisions of the fundamental agreements of the International Labour Organisation relating to respect for freedom of association and the right to collective bargaining.

The Group's Policy on Social Responsibility, approved in 2016, is aligned with the principles of the United Nations Global Compact in terms of human rights, work, the environment and a policy of anti-corruption. This explicit commitment of the Company is incorporated into its activity and extends to all its employees, customers and suppliers, with whom it works to respect and ensure observance of human rights, and is expressed in the following manner:

- In a Code of Conduct: which stipulates that the Group's workers must promote and protect human rights in a manner which will not contribute, directly or indirectly, to any violation of those rights.

The Group's employees strive to eradicate any violations of human rights which might exist in the employment marketplace, particularly when they are related, in any way, to our commercial activity or supply chain. The Code stipulates that:

- We must all help to make our workplace just, respectful and free of any kind of harassment, discrimination or other form of degrading behaviour. We must ensure that none of our colleagues suffers undesirable actions or behaviour because of their age, race, origin, gender, sexual orientation, disability, political opinion, religion, marital status or physical or mental state.
- We have the responsibility of abiding by the Company's commitment to offering a working environment of equal opportunities in which the jobs are awarded to the most suitable candidates.
- We must promote and protect human rights and ensure that we do not contribute, either directly or indirectly, to any violation of those rights. We must work to eradicate any violations of human rights which could exist in the employment marketplace, particularly when they are in any way related to our commercial activity or supply chain.
- We must work with our suppliers, licensees, agents and associates to encourage and support the application of principles in relation to the minimum working age and forced labour.

- We must not make or allow any distinction with regard to any employee on the basis of the political, religious or jurisdictional situation of the country or territory to which they belong, and when necessary we must ensure that valid work permits are in effect for those who are working outside their countries of origin.
  - We must not allow any discrimination to arise out of an employee's right to participate freely in the culture of their community.
- All the Group's suppliers have to know and accept the Principles of Conduct, and this is mandatory in order to contract with any of the Group's companies. The Group has the right to terminate its contractual or commercial relationship with any supplier who does not observe the Principles of Conduct, or who, after inadvertently failing to observe them, does not take the necessary corrective measures.

These General Principles of Conduct include minimum standards and the basic standards of conduct which must govern the activities of the Group's suppliers, both in their relations with the Group and with regard to their own workers or other third parties in the performance of their activities.

In order to ensure that they are public knowledge, the General Principles of Conduct are published in the Group's corporate website. They have also been translated into the official languages of the countries where the Group is present.

- In the Group's Purchasing Policy, which lays down that all the suppliers must be accredited and must have conspicuous economic, financial and technical competence. In addition, contracting will be governed by, among other factors, the principle of ethical and professional conduct, so the employees have to behave in an ethical and professional manner.

In case of any occurrence, conduct or omission which represents a violation of human rights, the Group's employees have at their disposal mechanisms with which to expose it. In the case of Logista, the mechanism is that of the Complaints Channel. There is also a Procedure for Managing the Complaints Channel, to which all the employees have access through the Group's intranet.

Logista has due diligence measures in place, even though, due to the geographical environment in which our activity is carried on, its type and its solid regulatory framework, one cannot notice in the Group any big risk of forced labour or child labour that would render necessary the application of specific due diligence procedures.

As a consequence of this, Logista received no complaint in FY 2018-2019 about anything related to respect for freedom of association, the right to collective bargaining, discrimination in a person's employment or occupation, enforced or compulsory work or child labour, or about any other matter connected with the violation of human rights, in any of the countries in which it carried on its activity in that period.

### **3.5. Bribery and corruption**

The Logista Group currently has corporate policies and a system of internal control that are designed to prevent the commission, by any of its administrators, directors, employees or people subject to the Group's authority, of crimes including bribery, corruption and money laundering.

The Board of Directors shows its commitment and social responsibility by its adoption of the measures necessary for the restraint of any possible offence and the control of any risk of crime, notable among which are those mentioned below.

- There is a Code of Conduct, compliance with which is mandatory, and which is published on the Group's intranet. This, among other regulations, includes guidelines for conduct with civil servants or government officials, and prohibits the offering, giving or receiving of payments, gifts or favourable treatment which could affect the normal conduct of commercial, administrative or professional relations, or could obtain an improper advantage for Logista.

- There is a Manual for the Prevention of Risks from Crime, approved in 2015, which gives details of the principles of the management and prevention of criminal offences within the Group, and of the structure and functioning of the Unit for Control and Monitoring.

The Group's employees are informed of the importance both of complying with the Manual for the Prevention of Risks from Crime and of adopting the principles of the Code of Conduct so as to perform their professional work in an ethical and diligent manner, and this applies to all levels in the Organisation.

- In the absence of such compliance, a disciplinary system with penalties for any breach of the Company's model will expose as very serious faults any activities involving bribery of public or private entities or breaches of the approved policy on the management of receipts and payments.
- Logista's employees have at their disposal a Complaints Channel through which to report any occurrence, conduct, information or criminal behaviour which is contrary to the Code of Conduct, the General Principles of Conduct, or the Model for the Prevention of Risks from Crime.  
No complaint was received during FY 2019 in relation to offences of bribery, corruption or money laundering.

This framework of control in the Group is subject to supervision, at least annually, by the Department of Internal Auditing, the Board of Directors, and the Audit and Control Committee. Regular reviews are carried out on the processes and activities which could potentially be affected by a risk of crime, and when necessary the model is updated to take account of changes in regulations.

The contributions to foundations and non-profit-making entities in 2018-2019 amounted to 188,979.53€. They were allocated mainly for humanitarian, welfare and integration actions intended to improve the quality of life of the most vulnerable groups. Most of these contributions are derived from donations of convenience products and transport services to parishes, social lunchrooms, etc.

### **3.6. Society**

#### **3.6.1. The Company's commitments to sustainable development**

The Logista Group is actively engaged with numerous initiatives of a social nature, mainly in its local area, and Logista encourages participation in all collaborators related to the Group (employees, franchises, branches, etc.), as well as collaborating in projects which the latter propose for the exercise of their social responsibility.

The Group's corporate social responsibility policy fixes the framework for action which supports the management of social responsibility in a manner consistent with the Group's corporate strategy, in order to foster stability and transparency in relations with stakeholders which go beyond mere financial interests. To that end, the Logista Group undertakes to consider the needs and expectations of its stakeholders by means of various communication mechanisms, enabling it to maintain an active dialogue and to respond appropriately at all times.

The Logista Group is committed to promoting the culture of corporate social responsibility, and to social development through voluntary activities.

##### **3.6.1.1. The impact of the Company's activity on employment and local development. The impact of society's activity on local populations and in the territory**

Logista collaborates with non-governmental, non-profit-making organisations in various localities, with the aim of assimilating workers originating from social environments where they suffer sexual, financial or social discrimination, but who possess special skills.

Logista is also in contact with the main universities and professional training centres in the localities where it is present, and collaborates in the students' training, preparation, first contacts with the world of work, and subsequent development.

The Group has collaboration agreements with prestigious universities and business schools involved with R+D+i.

### **3.6.1.2. Relations and forms of dialogue with key figures in local communities**

Logista encourages an enduring, fluent and transparent dialogue with all its stakeholders. The Group therefore maintains channels for communication and two-directional dialogue with all of them in order to take account of their needs and expectations, whether in financial, environmental or social matters.

In order to ensure that this dialogue is enduring and fluent, the Logista Group has set up specific channels of communication that are adapted to the characteristics of each stakeholder, although it also makes available channels of communication that are common to all of them, such as the Company's corporate website ([www.grupologista.com](http://www.grupologista.com)) and the corporate reports which it publishes every year.

### **3.6.1.3. Partnership and sponsorship actions**

Logista participates with different associations related to the Group's activities in order to collaborate in initiatives related to its activity or in order to promote transparency and corporate responsibility. Thus, for example, Logista is a founding member of the Grupo Español para el Crecimiento Verde (Spanish Group for Green Growth) and participates annually in CDP initiatives. At the sector level, Logista also participates in different associations, such as, for example, AESEG, AEFI, AECOC and CCA.

In addition, the Group, through its societies, sponsors different initiatives in support of culture or sport.

Regarding the promotion of culture, Nacex sponsors the Príncipe Pío Theatre in Madrid and has created an area in the Micropolix child leisure centre at Madrid devoted to couriers so kids may know the importance of this occupation in the current world; and Integra2, meanwhile, maintains the [www.rutaintegra2.es](http://www.rutaintegra2.es) portal on popular food festivities in Spain, bringing closer the gourmet and food industries, fostering popular, and food culture across the regions.

Regarding the sports sponsorship, Nacex sponsored the football Media Base Sports and the basketball GLT Sport campuses. It also sponsored the Nacex paddle tennis Challenge, where former Real Madrid and Barça football players competed to raise funds for charity, this time devoted to the Forever Dream foundation. Nacex also sponsored a number of golf charity tournament, like the "Tournament for Brave people", for the Leo Messi Foundation and the San Juan de Dios hospital in Barcelona.

Nacex also sponsored the Kern Pharma XIII International Meeting fostering the elite athletics among disabled athletes.

### **3.6.2. Sub-contracting and suppliers**

#### **3.6.2.1. The inclusion in the purchasing policy of social questions, equality of gender, and environmental matters. In relations with suppliers and sub-contractors, consideration of their social and environmental responsibilities**

The Logista Group promotes the incorporation of the company values throughout its value chain, resulting in responsible management of the supply chain.

The procedure for selecting and contracting suppliers is both objective and rigorous. The Group's Purchasing Policy incorporates fundamental principles of ethics, employment, sustainability, quality and customer service, and is applied in all the Group's companies and businesses.

By applying this Policy, the Group seeks to ensure maximum transparency in the contracting process, to obviate the risk of fraud in the purchasing processes, and to facilitate solid, long-term commercial relationships involving mutual respect.

#### The purchasing process

Purchases are made by drawing up Requests for Quotations which are sent to as many potential suppliers as possible.

The selection of a supplier is always made on the basis of quality in technical, financial, environmental and contractual aspects, and on the basis of a supplier's abilities and references in the field of the goods or service to be contracted, and the supplier's economic/financial standing.

#### Optimisation of resources

With the aim of optimising and rationalising resources, the Corporate Purchasing Management arranges for the centralised purchasing of the goods and services that are important for the Group.

Consequently, almost all the important purchases of goods and services, including general purchases, supplies, maintenance services, information and communications technology, as well as CAPEX, are centralised.

In order to unify the criteria for the selection of the Group's important suppliers, the Corporate Purchasing Management has produced a series of selection criteria which constitute a Decision Matrix, which has been applied in more than 70% of the contracting processes in which it is requested.

By applying this Decision Matrix, the Group has optimised the management of risks in the contracting of suppliers, and the analysis of the degree of exposure.

For the contracting of some goods and services, because of their nature or low cost, centralised management is not appropriate. For these, the established purchasing procedure is followed, with the Requests for Quotations previously explained, in order to comply with the general principles of purchasing defined in the Purchasing Policy, and thus to guarantee transparency, efficiency and equity during those purchases.

#### **3.6.2.2. Systems of supervision, and their auditing and results**

In 2018-2019, the Logista Group performed 1,161 audits on suppliers, and found no significant deficiencies in any of them.

These assessments enable the abilities of our suppliers to be measured, and allow an evaluation of the degree of compliance with the standards of quality, safety, and professionalism, among others, that are required by the Company.

The reviews form part of the control systems in operation in each of the Group's Businesses. Notable among the regular reviews are the evaluation of certified quality control systems, the review of the degree of compliance with regulatory strategies, and the evaluation and control of external delegations and commercial representatives by means of surprise control visits.

#### **3.6.3. Consumers**

Our customers are at the centre of our business model.

In order to satisfy their needs completely and efficiently, Logista has developed a business model that is unique in southern Europe, and in which all the services of a distribution value chain are offered by one single provider in a transparent, efficient and sustainable manner, with full traceability and including the most advance and specialised services in every sector and channel of points of sale in which the Group operates.

#### Excellence and quality of service

The Logista Group devotes its best efforts to continuous improvement in order to achieve excellence and optimise the quality of its service.

The Group includes sustainability in its objective of maximum quality of service, always seeking efficiency in its operations, in appropriate social and environmental conditions.

In this way, Logista offers to its manufacturers, laboratories and other operators a specialised distribution service that is adapted to their products, together with other added-value services and powerful Business Intelligence tools so that the consumers are better informed; while at the point of sale it offers them a wide range of products adapted to their end-users, and efficient distribution, increasing their income and profitability.

#### Stable, long-term relationships

Logista works to establish relationships of trust with its customers, maintaining stable, durable links with them, and ensuring that the channels of points of sale to which it distributes are beneficial for both parties, ensuring independence of management and operational neutrality.

The Corporate Legal Advice Department centralises the review of the most important contracts in the whole Group to ensure that they comply strictly with the Law.

#### **3.6.3.1. Measures for consumers' health and safety**

Logista applies its commitment to quality, sustainability and continuous improvement to all its activities and operations, and has many certificates which confirm that:

<b>Principal certificates</b>	
ISO 9001	The Group's system of quality management at more than 300 sites
GDP (Good distribution practices)	Distribution of medicines in accordance with European and Spanish regulations
GMP (Good manufacturing practices)	Correct handling and re-packaging of medicines, awarded by the Spanish health authorities
OEA ( <i>Operador económico autorizado</i> ) (Authorised Economic Operator)	The <i>Agencia Estatal de Administración Tributaria</i> (AEAT) (State Tax Administration Agency) in its most demanding form of Customs Simplification, Security and Safety, attests to an appropriate Customs control, financial solvency, and adequate levels of security and administrative management to ensure satisfactory fiscal compliance.
TAPA	Certifies that Logesta complies with the FSR Safety and Security Regulations for Goods and with the TSR Truck Safety and Security standard, designed to guarantee safety and the safe and secure transit and storage of the assets of any member of the TAPA, worldwide.
UNE-EN ISO 14064	Calculation of the Group's carbon footprint.
ISO 14001	System of Environmental Management
OHSAS 18001	Orderly management of the prevention of occupational risks.
IFS Logistics	Quality accreditation of Integra2 in the food sector.

### 3.6.3.2. Claims system, complaints received and their settlement

Logista has various systems for dealing with complaints and claims from consumers. These systems are set up by each business, and are adapted to its characteristics and to those of its consumers.

In 2018-2019, the Logista Group received 11,334 complaints and claims from its consumers, representing barely 0.03% of all the despatches and consignments handled by the Group in that year.

99.99% of the total complaints and claims are related to operational incidents in the transport division (loss of merchandise, etc.).

### 3.6.4. Tax information

#### 3.6.4.1. Profits obtained, country by country

Country	Profits (losses) before corporation tax (thousands of €)
Spain	87,359
France	24,040
Italy	90,890
Portugal	13,969
Poland	841
<b>Total</b>	<b>217,099</b>

#### 3.6.4.2. Taxes paid on profits

Country	Corporation Tax paid (cash-based) (thousands of €)
Spain	-54,058
France	24,678
Italy	31,862
Portugal	2,926
Poland	429
<b>Total</b>	<b>5,837</b>

#### 3.6.4.3. Public subsidies received

The Logista Group received no public subsidy during FY 2018-19.

### 3.7. Table of compliance with Law 11/ 2018, of 28 December 2018

Content	Chapter of the Non-Financial Statement	GRI Standard associated
<b>BUSINESS MODEL</b>		
Entrepreneurial environment and business model	3.1.1. Description of the business model and 3.1.2. Organisation and structure	102-2
Markets in which the company operates	3.1.3. Markets of operation	102-6
Targets and strategies	3.1.4. Objectives and strategies	102-14
Factors and trends affecting evolution	3.1.5. The main factors and trends which could affect Logista's future development	102-15
<b>POLITICS</b>	It will be incorporated along those chapters related to the different topics	103- Management approach of each material issue
<b>RISKS</b>	It will be incorporated along those chapters related to the different topics	102-15
<b>ENVIRONMENTAL ISSUES</b>		
<b>GLOBAL</b>		
Impact of the firm's activities on the environment, and health and security	3.2. Environmental matters	103 - Management approach of each material issue related to environment issues
Precautionary principle, quantity of provisions and guarantees regarding environmental risks	3.2. Environmental matters / Risks related to environmental matters	102-11
Resources devoted to preventing environmental risks	3.2. Environmental matters / Risks related to environmental matters	103- Management approach of each material issue related to environment issues
<b>POLLUTION</b>		
Measures associated with carbon emissions	3.2.1. Pollution and climate change / Measures to reduce carbon emissions	103 - Emissions
Measures associated with light pollution ,noise and others	3.2.1. Pollution and climate change /	103- Biodiversity



	Pollution from noise and light	
<b>CIRCULAR ECONOMY AND WASTE PREVENTION AND MANAGEMENT</b>		
Initiatives promoting circular economy	3.2.2. The circular economy and the prevention and management of waste	103- Effluents and waste
Measures associated with waste management	3.2.2. The circular economy and the prevention and management of waste	306-2
Actions combating food spoilage	Non material, taking into account the activity sector of the Company	103- Effluents and waste
<b>SUSTAINABLE USE OF RESOURCES</b>		
Water: consumption and supply	3.2.3.1. Water	303-1
Raw materials: consumption and measures	3.2.3.2. Consumption of raw materials, and the measures adopted to improve efficiency in their use.	301-1
Energy: consumption, measures and use of renewables	3.2.3.3. Direct and indirect consumption of energy, measures taken to improve energy efficiency, and the use of renewable forms of energy.	302-1
<b>CLIMATE CHANGE</b>		
Greenhouse gas emissions	3.2.1. Pollution and climate change	305-1/ 305-2/ 305-3
Measures for climate change adaptation	3.2.1. Pollution and climate change / Measures adopted to adapt to the consequences of climate change	103- Emissions
Targets in reducing emissions	3.2.1. Pollution and climate change / Targets in the reduction of emissions	103- Emissions
<b>BIODIVERSITY</b>		
Prevention measures	3.2.4. Protection of biodiversity	103- Biodiversity
Impacts on protected areas	3.2.4 Protection of biodiversity	304-2

SOCIAL MATTERS AND PERSONAL-RELATED ISSUES		
EMPLOYMENT		
Total number and distribution of employees by gender, age, country and professional category	3.3.1 Employment / Total number and distribution of employees by gender, age, country and professional category	102-8/405-1
Total number and distribution of the different modalities of labour contracts	3.3.1 Employment / Total number and distribution of types of employment contract	102-8
Annual average of indefinite, temporal and partial contracts divided by gender, age and professional category	3.3.1 Employment / Annual average of contracts by gender, type of contract, age and professional category	102-8/405-1
Number of dismissals by gender, age and professional category	3.3.1 Employment / Number of dismissals by gender, age and professional category	401-1
Average remuneration and evolution disaggregated by gender, age and professional category, or equal value	3.3.1 Employment / Average remuneration broken down by gender, age, and professional category	405-2
Pay gap, remuneration of equal job positions or societal averages	3.3.1 Employment / The salary gap (different remuneration for the same posts)	405-2
Average remuneration counsellors and directives	3.3.1 Employment / Average remuneration for board members and directors, including variable remuneration, subsistence allowances, compensations, payments to pension and long-term savings schemes and any other receipt, broken down by gender	102-35
Politics of occupational disconnection	3.3.1 Employment / Implementation of policies of disconnection from work (digital disconnection)	103- Employment
Disabled employees	3.3.1 Employment / Disabled employees	405-1
WORKTIME MANAGEMENT		
Task management	3.3.2.1. Organisation of working time and	103- Employment

	measures of familiar reconciliation	
Number of absence hours	3.3.2.2. Number of hours of absenteeism	403-2
Measures of familiar reconciliation	3.3.2.1. Organisation of working time and measures of familiar reconciliation	103- Employment
<b>HEALTH AND SAFETY</b>		
Health and security conditions at work	3.3.3. Health and safety	103- Occupational health and safety
Work accidents, highlighting their frequency and severity	3.3.3. Health and safety	403-2
Professional illnesses, separated by gender	3.3.3. Health and safety	403-2
<b>SOCIAL RELATIONS</b>		
Organization of social dialogue	3.3.4.1 The organisation of social dialogue, including procedures to inform and consult the employees and to negotiate with them	103- Labor management relations
Percentage of employees covered by collective covenants by country	3.3.4.2 The percentage of employees covered by collective agreements, by country	102-41
Balance of collective covenants in work health and security	3.3.4.3. The effect of the collective agreements, particularly in relation to health and safety at work	403-1
<b>TRAINING</b>		
Implementation of politics related to training	3.3.5.1. Policies implemented in the field of training	103- Training and education
Total number of training hours by professional category	3.3.5.2. Total number of hours of training by professional category	404-1
<b>UNIVERSAL ACCESSIBILITY OF DISABLED PEOPLE</b>	3.3.6. Universal accessibility for disabled people. Equality.	103- Diversity and equal opportunity/103- Non discrimination
<b>EQUALITY</b>		
Adopted measures to promote equality, plans for equality and politics of no discrimination and diversity management	3.3.6. Universal accessibility for disabled people. Equality.	103- Diversity and equal opportunity/103- Non discrimination
<b>HUMAN RIGHTS</b>		

Due diligence procedures in human rights matters and if required, in their mitigation, management and repair	3.4. Human Rights	102-16/102-17/103- Human Rights assessment/103- Freedom of association and collective bargaining /103- Child labor/103-Forced or compulsory labor
Complaints for the violation of human rights	3.4. Human Rights	406-1
Promotion and compliance of covenants ILO associated with the freedom of association and collective negotiation	3.4. Human Rights	407-1
Elimination of employment discrimination, forced and child labour	3.4. Human Rights	408-1/409-1
<b>CORRUPTION AND BRIBERY</b>		
Adopted measures to prevent corruption and bribery	3.5. Bribery and corruption	103- Anti-corruption
Measures to fight money laundering	3.5. Bribery and corruption	103- Anti-corruption
Contributions to non-profit foundations and entities	3.5. Bribery and corruption	413-1
<b>SOCIETY</b>		
<b>BUSINESS COMMITMENTS WITH SUSTAINABLE DEVELOPMENT</b>		
Impact of activities on society: employment, local development, local populations and territory	3.6.1.1. The impact of the Company's activity on employment and local development, local populations and territory	103- Local communities/103- Indirect economic impacts
Dialogue with local communities	3.6.1.2. Relations and forms of dialogue with key figures in local communities	413-1
Collaborative actions and sponsorship	3.6.1.3 Association and sponsorship actions	102-12/102-13
<b>SUBCONTRACTING AND SUPPLIERS</b>		
Inclusion of social aspects, gender equality and environmental matters in procurement policies	3.6.2.1 The focus of management and the inclusion in the purchasing policy of social questions, equality of gender, and environmental matters. In relations with suppliers and sub-contractors, consideration of their social and environmental responsibilities	102-9

Consideration of environmental and social aspects in the relationships with suppliers and subcontractors	3.6.2.1 The focus of management and the inclusion in the purchasing policy of social questions, equality of gender, and environmental matters. In relations with suppliers and sub-contractors, consideration of their social and environmental responsibilities	103- Procurement practices
Supervision systems and audits, and their respective results	3.6.2.2. Systems of supervision, and their auditing and results	308-2/414-2
<b>CONSUMERS</b>		
Measures for health and security of consumers;	3.6.3.1. Measures taken to protect the health and safety of consumers	103-Customer health and safety
Complaint system, received complaints and respective resolutions	3.6.3.2 Claims system, complaints received and their settlement	103-Customer health and safety
<b>TAX INFORMATION</b>		
Profits by country before taxes	3.6.4.1 Profits obtained, country by country	103- Economic performance
Taxes over paid profits	3.6.4.2. Taxes paid on profits	103- Economic performance
Public subsidies received	3.6.4.3. Public subsidies received (cash basis)	201-4

#### 4. RISK EXPOSURE

The Corporate Risk Management System of the Company and its subsidiaries is set forth in the Risks Management General Policy of September, 29<sup>th</sup> 2015, and has the purpose of providing the Business Managers/Corporate Directorates with a holistic and integrated view of the risks, 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.

On the other hand, the Group's General Policy on Internal Control of April 25<sup>th</sup>, 2017, sets up a framework for the control and management of the external and internal risks of any nature that can affect in each moment to the Group.

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. In this aspect, 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.

On the other hand, the Group could be also affected by the risks derived by an unfavourable economic worldwide environment and its possible impact in the consumptions in the markets and sectors where the Group is present.

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 (regulatory compliance risks), 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.
- 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.
- Cybersecurity risk, due to the Group is exposed to threats and vulnerabilities in the use of technologies and information systems in the development of its different activities.

From a financial perspective, the Group's main financial assets are cash and cash equivalents, trade and other receivables and financial investments of the Group. 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 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 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 estimates at September 30<sup>th</sup>, 2019, the level of exposure at the credit risk for its financial assets is not significant.

- 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, tobaccoists. 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.
- With regard to liquidity risk, the Group maintains enough cash and cash equivalents to face the payments derived from its usual activities. Also, if 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.
- In addition, 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.
- 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.

Likewise, the fiscal strategy defined in the Logista Group's Tax Policy has among its main objectives:

- To minimize the tax risks related to the operations, as well as to 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.

Therefore, from a fiscal point of view, the risks facing the Group are:

- According to the current regulations, taxes cannot be considered definitely settled until the tax authorities have inspected them or the statute of limitations of four years has expired. Currently, the Group is subject to inspection certain exercises on certain taxes.
- On the other hand, the possibility of modifications in the tax regulation can affect directly in the results and cash management of the Group (Excise duties, Corporate Income Tax, Personal Income Tax, etc).

Regarding the materialization of the risks to which the Company has been exposed:

- Normal operational risks, in the normal business evolution. Particularly, robberies of tobacco in facilities and during the transport, without incidence in the Group's results due to the insurance of the goods.
- Responsibility for settlement tax litigations, resolved against the Group, without relevant incidence in the Group's results due to they were provisioned; as well as other no tax litigations.
- Specifically, on April 10 2019, the National Commission of Markets and Competition imposed on Compañía de Distribución Integral Logista, S.A.U. ("Logista"), (100% subsidiary of the Company), a penalty of €20.9 million, for "exchange of sensitive information regarding the sale of cigarettes from 2008 to 2017". Logista does not consider appropriate sanction, and has filed against this resolution an administrative contentious appeal to the National Court, and request for suspension of the payment of the sanction, which, as of the date of this report, is pending of resolution.

In both cases, the control systems allowed the mitigation of the risk's impact or of its occurrence profitability. In general, the Group's internal system and the risks management system allowed that various risks place in a low profile, and indeed some of them ended without negative impact for the Group.

### **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 valued the risks , as well as the possible impact that it might occur as consequence of the exit by the United Kingdom from the European Union. 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, and/or from a possible currency volatility, might not have a highly impact in the development of the Logista Group's activities.

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 is maintained, pending of impact valuation, related to European directives on taxation, as well as the applications EU freedom, that will ultimately depend on the exit model of the United Kingdom from the EU.

### **5. USE OF DERIVATIVE FINANCIAL INSTRUMENTS**

No Group company uses derivative financial instruments.

### **6. SIGNIFICANT EVENTS FOR THE GROUP AFTER THE REPORTING PERIOD**

As described in Note 22 to the Group's consolidated financial statements, On 15 October 2019, the Paris Commercial Court issued the decision on the claim lodged by one of the tobacco manufacturers, in which it ruled that Logista France, S.A.S. had to pay the invoices received from the manufacturer for EUR 39 million, corresponding to the tax for 2017 and 2018. On the basis of the information available, the negotiations and communications that have taken place with the manufacturers and also the assessment of its legal advisers, the Parent's directors consider that this matter will not have any impact on the Group's equity position.

No additional significant events have occurred subsequent since the end of the year ended 30 September 2019.



## 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 €	
	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018
Revenue	10,148.3	9,476.5
Procurements	(8,999.3)	(8,358.3)
<b>Gross Profit</b>	<b>1,149.0</b>	<b>1,118.2</b>

- **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 Group's the 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 €	
	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018
<b>Adjusted Operating Profit</b>	<b>261.9</b>	<b>245.9</b>
(-) Restructuring Costs	(11.4)	(3.6)
(-) Amortization of Assets Logista France	(52.2)	(52.3)
(+/-) Net Loss of Disposal and Impairment of Non-Current Assets	4.8	(0.5)
(+/-) Share of Results of Companies and Others	1.2	1.0
<b>Profit from Operations</b>	<b>204.3</b>	<b>190.5</b>

- **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 analysis and measure the performance of the profitability obtained by the Group's typical activity in a period.

	Million €		
	1 Oct. 2018 – 30 Sept. 2019	1 Oct. 2017 – 30 Sept. 2018	%
Economic Sales	1,149.0	1,118.2	2.8%
Adjusted Operating Profit	261.9	245.9	6.5%
<b>Margin over Economic Sales</b>	<b>22.8%</b>	<b>22.0%</b>	<b>+80 b.p.</b>

- **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 are not directly related to the revenues obtained by the Group in each period.

#### Reconciliation with Interim Consolidated Financial Statements:

<i>Million €</i>	<b>1 Oct. 2018 – 30 Sept. 2019</b>	<b>1 Oct. 2017 – 30 Sept. 2018</b>
Cost of logistics network	798.5	780.6
Commercial expenses	70.4	67.2
Research expenses	2.7	2.1
Head office expenses	79.1	78.3
(-) Restructuring costs	(11.4)	(3.6)
(-) Amortization of Assets Logista France	(52.2)	(52.3)
<b>Operating Costs or Expenses in management accounts</b>	<b>887.1</b>	<b>872.3</b>

- **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 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.

- **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.



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

Independent verification report  
Year ended 30 September 2019



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

## Independent verification report

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying State of non-financial information ("NFS") for the year ended 30 September 2019 of Compañía de Distribución Integral Logista Holdings, S.A. and subsidiaries (hereinafter "Logista") which forms part of Logista's consolidated Management Report.

The content of the NFS includes additional information to that required by the current mercantile legislation related to non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table included in the section 3.7 Table of compliance with Law 11/ 2018, of 28 December 2018 in the accompanying NFS.

### Responsibility of the Board of Directors

The preparation of the NFS included in Logista's consolidated Management Report and the content thereof are the responsibility of the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. The NFS has been drawn up in accordance with the provisions of current mercantile legislation and with the *Sustainability Reporting Standards of the Global Reporting Initiative* ("GRI Standards") selected, described in line with the details provided for each matter in the table included in section 3.7 "Table specifying the requirements as per Law 11/2018 and GRI indicators".

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFS to be free of any immaterial misstatement due to fraud or error.

The Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained.

### Our independence and quality control

We have complied with the Independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.



Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in Non-Financial Information reviews and, specifically, in information on economic, social and environmental performance.

### Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to fiscal year ended 30 September 2019. The data relating to previous years were not subject to current mercantile legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on Non-Financial Statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Logista units that were involved in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Logista personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFS for year ended 30 September 2019, based on the materiality analysis carried by Logista, considering the content required under current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in NFS for year ended 30 September 2019.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFS for year ended 30 September 2019.
- Verification, through sample testing, of the information relating to the content of the NFS for year ended 30 September 2019 and its adequate compilation using data supplied by the Logista's sources of information.
- Obtainment of a management representation letter from the Directors and Management.





### Conclusions

Based on the procedures performed and the evidence we have obtained, no matters have come to light that might lead us to believe that Logista's NFS, for the year ended 30 September 2019 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") selected, described in accordance with the details provided for each matter in the table included in the section 3.7 Table of compliance with Law 11/ 2018, of 28 December 2018 in the accompanying NFS.

### Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Pablo Bascones

4 November 2019

## **ANNEX I TEMPLATE**

### **ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

NOTICE: This document is a translation of a duly approved Spanish-language document, and is provided only for information purposes. In the event of any discrepancy between the text of this translation and the original Spanish-language document, the text of the original Spanish-language document shall prevail.

**FISCAL YEAR-END DATE:** 30/09/2019

**C.I.F.:** A87008579

**COMPANY NAME:**

Compañía De Distribución Integral Logista Holdings, S.A.

**REGISTERED OFFICE:**

Calle Trigo 39 -Polígono Industrial Polvoranca- 28914 Leganés (Madrid)

# ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

## A CAPITAL STRUCTURE

A.1 Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
04/06/2014	26,550,000.00	132,750,000	132,750,000

Please state whether there are different classes of shares with different associated rights: :

Yes ☐

No ☒

A.2 Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Imperial Brands PLC	0	50.01	0	0	50.01
Allianz Global Investors GmbH	0	4.98	0	0	4.98
BlackRock, Inc	0	3.94	0	0.02	3.96
Santander Asset Management, S.A.	0	3.01	0	0	3.01

### Breakdown of the indirect holding

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
Imperial Brands PLC	Altadis S.A.U.	50.01	0	50.01
Allianz Global Investors GmbH	Allianz Global Investors Fund	3.16		3.16
	Other Investor's Companies	1.82	0	1.82
BlackRock, Inc	Other Investor's Companies	3.94	0.02	3.96
Santander Asset Management, S.A.	Santander Small Caps Europa, FI	0.90	0	0.90
	Santander Acciones Españolas, FI	2.11	0	2.11



State the most significant shareholder structure changes during the year:

Name (person or company) of the shareholder	Transaction Date	Transaction Description
Capital Research and Management Co.	31/07/2018	Fell below the 3% share capital threshold
Santander Asset Management, S.A.	1/07/2019	Exceeds the 3% share capital threshold

A.3 In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Luis Egido Gálvez	0.08	0	0.15	0	0.23	0	0
Rafael de Juan López	0.02	0	0.05	0	0.07	0	0
Gregorio Marañón y Bertrán de Lis	0	0.02	0	0	0.02	0	0

Total percentage of voting rights held by the Board of Directors	0.32
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Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
D. Gregorio Marañón y Bertrán de Lis	Cigarral de Inversiones, S.L.	0.02	0	0.02	0

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Not applicable

- A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

<u>Related parties names or corporate names</u>
Imperial Brands PLC
Compañía de Distribución Integral Logista Holdings, S.A.

Kind of relationship: Contractual

Brief description:

"ITG-LOGISTA HOLDINGS RELATIONSHIP FRAMEWORK AGREEMENT", dated June 12<sup>th</sup>, 2014.

Imperial Brands PLC (formerly named Imperial Tobacco Group-ITG) undertakes to maintain and respect the freedom of management and decision making of the administrative and managerial bodies of the Company, and the neutrality principle in its commercial and services relations with third parties, also establishing the confidentiality of the business information of the Company and the separation of their respective IT systems.

The Framework Agreement also regulates related transactions between both companies, and the government and administration of the Company.

<u>Related parties names or corporate names</u>
Imperial Brands Finance PLC
Compañía de Distribución Integral Logista, S.A.U.

Kind of relationship: Contractual

Brief description:

"INTRA GROUP LOAN FACILITY AGREEMENT", dated June 12<sup>th</sup>, 2014, amended on December 1<sup>st</sup>, 2015, and extended on March 21<sup>st</sup> 2018.

Agreement on a reciprocal credit facility, in force until June 12, 2024 (with a yearly tacit renewal), with a maximum disposal limit of two thousand six hundred million euros.

According to this agreement, Compañía de Distribución Integral Logista S.A.U. (100% subsidiary of the Company) will daily lend Imperial Brands Finance PLC (IBF) (formerly named Imperial Tobacco Finance PLC), its cash excess, at the base rate of the European Central Bank, plus a margin of 0.75%.

If Logista has to get into debt to meet the needs of its working capital, it can reciprocally borrow the amount from IBF.

- A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
Mr. John Matthew Downing	Imperial Brands PLC		Group's Company Secretary
Mr. Richard Guy Hathaway	Imperial Brands PLC		Director of Finance Strategic Initiatives
Mr. John Michael Jones	Imperial Brands PLC		Director of Treasury
Mr. Amal Pramanik	Imperial Brands PLC		Strategy Director of Imperial Brands Group

Remarks
The significant shareholder Imperial Brands PLC, pursuant to the Framework Agreement dated 12 June 2014, is represented at the Company's Board by four proprietary Directors.
None of the Company Directors is a Director at Imperial Brands PLC.

- A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Ley de Sociedades de Capital ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes ☐

No ☒

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes ☐

No ☒

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes ☒ No ☐

Name of individual or company
IMPERIAL BRANDS PLC

Remarks
INDIRECT PARTICIPATION OF 50.008%, THROUGH ALTADIS, S.A.U.

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
486,013	0	0.37

A.10 Provide a detailed description of the conditions and terms of the authority given by the shareholders' meeting to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The General Meeting of Shareholders of March 21, 2018 authorised the Board of Directors to acquire Company's own shares in the following terms:

"To authorize the Board of Directors so that pursuant to the provisions established in Article 146 of the Act on Capital Companies ("Ley de Sociedades de Capital"), it may acquire, at all times, shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that:

- the face value of the shares acquired, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., and
- the acquisition, including any shares that the Company or person acting in its own name but on behalf of the Company may have acquired or previously held, does not result in the Company's net equity falling below the share capital amount plus any restricted reserves foreseen by the regulations or the By-laws.

Furthermore, to authorize the subsidiaries so that, notwithstanding the relevant authorisation of their General Meeting of Shareholders, pursuant to said Article 146, they may at all times acquire shares in COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A., provided that the face value of the acquired shares, in addition to those already held by the Company and/or its subsidiaries, does not exceed 10% of the share capital of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

Said acquisitions may be carried out through a purchase, swap, donation, allocation or non-recourse debt and, in general, under any other form of acquisition for consideration. In any case, the shares to be purchased will be circulating shares that are fully paid up.

The Board of Directors of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or of its subsidiaries may agree to purchase the Company's shares in one or more transactions, for a maximum price that does not exceed 20% of their listed price, and for a minimum price that is not less than the face value of 0.20 Euros per share.

This authorization is granted for a five-year term, calculated as of the date of this General Meeting.

To expressly allow, for the purposes of Article 146.1.a), last paragraph, of the Act on Capital Companies ("Ley de Sociedades de Capital"), that any share acquired by COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. or its subsidiaries, further to this authorization, be used or attached, in whole or in part, for its transfer, amortization or delivery to directors of the Company, and managers and other employees of COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A. and its Subsidiaries Companies, or in accordance with and in implementation of Long-Term Incentive Plans consisting of the delivery of Company shares or of options on Company shares."

**A.11 Estimated floating capital:**

	%
Estimated floating capital	37.36

- A.12** State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes ☐

No ☒

- A.13** State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

Yes ☐

No ☒

- A.14** State if the company has issued shares that are not traded on a regulated EU market.

Yes ☐

No ☒

## B GENERAL SHAREHOLDERS' MEETING

- B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes ☐

No ☒

- B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

Yes ☐

No ☒

- B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

Standards applicable to the amendments of the company's Articles of Association are those provided in the Articles 285 to 294 of the Act on Capital Companies (Royal Legislative Decree of July 2<sup>nd</sup>, 2010).

- B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

report and the previous year:					
Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
21/03/2017	70.36	18.45	0.00	0.00	88.81
Of which, free float:	0.36	18.45	0.00	0.00	18.81
21/03/2018	60.12	24.53	0.00	0.00	84.65
Of which, free float:	0.12	24.53	0.00	0.00	24.65
26/03/2019	50.21	33.87	0.00	0.00	84.08
Of which, free float:	0.20	33.87	0.00	0.00	34.07

- B.5 State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

Yes ☐

No ☒

- B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

Yes ☐

No ☒

- B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

Yes ☐

No ☒

- B.8** State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

The address of the company's website is [www.grupologista.com](http://www.grupologista.com).

The most relevant information on the Company's corporate governance and other information on the General Meetings is available in the section "Shareholders and Investors" / "Corporate Governance" / "Annual Corporate Governance Reports", and through the same section, "General Meetings" (for current fiscal year), or "Previous General Meetings".

## C COMPANY ADMINISTRATIVE STRUCTURE

### C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	10
Number of directors set by the general meeting	10

C.1.2 Please complete the following table on directors:

Name of Director	Natural Person representative	Director Category	Position on the Board	Date first appointed to Board	Last re-election date	Method of selection to Board
Mr. Gregorio Marañón y Bertrán de Lis	---	Independent	Chairman	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Luis Egido Gálvez	---	Executive	CEO	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Rafael de Juan López	---	Executive	Secretary Director	13/05/2014	21/03/2018	General Shareholders' meeting
Ms. Cristina Garrnendía Mendizábal	---	Independent	Director	04/06/2014	21/03/2018	General Shareholders' meeting
Mr. Alain Minc	---	Independent	Director	24/04/2018	24/04/2018	By co-option
Mr. Jaime Carvajal Hoyos	---	Independent	Director	25/09/2018	25/09/2018	By co-option
Mr. John Matthew Downing	---	Proprietary	Director	13/05/2014	21/03/2018	General Shareholders' meeting
Mr. Richard Guy Hathaway	---	Proprietary	Director	24/03/2015	26/03/2019	By co-option
Mr. John Michael Jones	---	Proprietary	Director	29/01/2019	29/01/2019	By co-option
Mr. Amal Pramanik	---	Proprietary	Director	24/04/2018	24/04/2018	By co-option

Total number of directors	10
---------------------------	----



State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Richard Charles Hill	Proprietary	25/04/2017	31/12/2018	None	Yes

C.1.3 Complete the following tables regarding the members of the Board and their categories:

#### EXECUTIVE DIRECTORS

NAME OR COMPANY NAME OF DIRECTOR:

Mr. LUIS EGIDO GÁLVEZ

POST IN ORGANISATIONAL CHART OF THE COMPANY:

CHIEF EXECUTIVE OFFICER

#### PROFILE:

Mr. Luis Egido Gálvez is the CEO of Compañía de Distribución Integral Logista Holdings S.A. From 2005, He is CEO of Compañía de Distribución Integral Logista S.A. He was COO of the Logistics business unit of the Imperial Tobacco Group PLC (2008-2011). Prior to taking on these roles, he held various roles, including Director of Business Logistics at Altadis S.A.U. (2001-2008); General Manager of Logista (1998-2005); Logistics Director of Tabacalera (1996-1999); Distribution Manager of Tabacalera (1988-1996); and Chairman of Serventa (1991-1993). Mr. Egido also spent seven years at Telettra Española, S.A., a joint venture between Fiat and Telefónica, where he served as Materials Director (1981-1984), Director for Material Requirements Planning (1980-1981), Head of the Engineering Department (1979-1980), and as an Engineer in production organization (1978-1979). Mr. Egido received his Bachelor of Science in Industrial Engineering from the College of Industrial Engineering of Madrid in 1977. He also completed the Senior Management Program at the IESE Business School in 1996.

NAME OR COMPANY NAME OF DIRECTOR:

Mr. RAFAEL DE JUAN LÓPEZ

POST IN ORGANISATIONAL CHART OF THE COMPANY:

SECRETARY DIRECTOR

#### PROFILE:

Mr. Rafael de Juan López is a Director and Secretary to the Board of Compañía de Distribución Integral Logista Holdings S.A. He also currently serves as General Secretary of Grupo Logista. Prior to joining the Logista Group, he worked as a government lawyer for the Spanish Economy and Taxes Ministry (1993-1999). Mr. de Juan has also served as: an attorney at the Spanish law firm Martínez Lage Asociados (1990-1993); Director and Legal Affairs General Manager of Spanish chemical company Unión Española de Explosivos S.A. (ERT) (1983-1990); and as a government lawyer for various ministries in Spain (1974-1983). Mr. de Juan received his Bachelor of Laws in 1967 from Complutense University of Madrid.

Total number of executive directors	2
Percentage of Board	20%

### PROPRIETARY DIRECTORS

**NAME OF DIRECTOR:**

Mr. JOHN MATTHEW DOWNING

**NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:**

IMPERIAL BRANDS PLC

**PROFILE:**

Mr. John Matthew Downing is a Director of Compañía de Distribución Integral Logista Holdings S.A. He joined the Imperial Brands (formerly Imperial Tobacco) legal department in 2005 and currently serves as Group Company Secretary of Imperial Brands PLC. Mr. Downing played a leading role in all aspects of Imperial Tobacco's acquisition of Altadis and has considerable experience in managing key corporate projects related to financing, business development and other commercial matters. Prior to joining Imperial Brands, he worked in the corporate department of Unilevers in both London and SE Asia (from 1998 to 2005). Mr. Downing received a Bachelor of Arts (Honors) in History from the University of Cambridge in 1993, after which he completed a conversion course in Law, passing with Distinction in 1995.

**NAME OF DIRECTOR:**

Mr. RICHARD GUY HATHAWAY

**NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:**

IMPERIAL BRANDS PLC

**PROFILE:**

Mr. Richard Guy Hathaway serves as Director of Finance Strategic Initiatives and has been responsible for leading the Risk Management function at Imperial Brands Group. Prior to joining Imperial Tobacco, he worked for KPMG from 2000 to 2012, where he held different positions as Partner of the Company, being the Head of Travel, Leisure and Tourism Sector for KPMG UK first (2008-2010), and after for KPMG Europe (2010-2012). He also worked for ADS Anker, where he was Project Manager for IPO (1999-2000). Mr. Hathaway received a Bachelor of Mathematics (Honors) (1988) from Oxford University in 1988, and is Fellow of the Institute of Chartered Accountants in England & Wales.

**NAME OF DIRECTOR:**

Mr. JOHN MICHAEL JONES

**NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:**

IMPERIAL BRANDS PLC

**PROFILE:**

Mr. John Michael Jones joined Imperial Brands in 1998 in the Treasury Department and has been Director of Treasury since 2001. He has gained extensive financial experience over that time and played a major role in the development of the financing and Risk Management activities of the Imperial Brands Group, particularly with the transforming acquisitions of Reemtsma (2002),

Altadis (2008) and the US brands (2015). He is currently responsible for treasury, insurance and the financial risk management of pensions for the group. Prior to Imperial Brands, after graduating with a degree in mathematics from York University, John started his career in audit with KPMG (1992-1996) then as Assistant Group Treasurer with Hickson International PLC (1996-1998).

**NAME OF DIRECTOR:**

Mr. AMAL PRAMANIK

**NAME OR COMPANY NAME OF THE SIGNIFICANT SHAREHOLDER REPRESENTED OR THAT HAS PROPOSED THEIR APPOINTMENT:**  
IMPERIAL BRANDS PLC

**PROFILE:**

Mr. Amal Pramanik is a Bachelor of Civil Engineering (Hons) (Indian Institute of Technology, Kharagpur, India) and MBA (Marketing & Systems) (Indian Institute of Management, Ahmedabad, India); he has a Diploma in Non-Executive Directorship (Australian Institute of Company Directors) and is a Certified Executive Coach, (Advanced Coaching Excellence, The Preston Associates). He currently serves at Imperial Brands Group as Group Strategy Director. Previously, he held several positions within the Imperial Group (Growth Division Director, Managing Director in UK and The Netherlands, and Marketing Director in Australia). Prior to joining the Group Imperial Brands, he worked in different positions for other companies: Gillette India, Pepsi Cola India and ITC India (BAT).

Total number of proprietary directors	4
Percentage of the Board	40%

**INDEPENDENT DIRECTORS**

**NAME OF DIRECTOR:**

Mr. GREGORIO MARAÑÓN Y BERTRÁN DE LIS

**PROFILE:**

Mr. Gregorio Marañón y Bertrán de Lis, Marqués de Marañón, is the Chairman of Compañía de Distribución Integral Logista Holdings S.A. He also serves as Chairman of Universal Music; Chairman of Air City Madrid Sur, and member of the Board of Patrimonio Nacional. He is Chairman of the Board and the Executive Committee of the Teatro Real opera house, Honorary President of the Real Fundación de Toledo; Chairman of the Teatro de la Abadía, Funding Trustee of the Ortega-Marañón Foundation; Trustee of the Museo del Ejército; Trustee of the Centro Internacional de Toledo para la Paz; Permanent Member of the Real Academia de Bellas Artes de San Fernando and of the Académie Européenne des Sciences et des Arts. He was awarded the Grand Cross of Alfonso X el Sabio; the Gold Medal for Merit in Fine Arts; and the Gold Medal of Castilla-La Mancha Region. He was appointed Commandeur de la Légion d'Honneur Française and Commendatore della Ordine de la Stella della Repubblica Italiana.

Mr. Marañón received his Bachelor of Laws in 1964 from Complutense University of Madrid, and completed an Advanced Management Program in 1979 at the IESE Business School.

**NAME OF DIRECTOR:**

Ms. CRISTINA GARMENDIA MENDIZÁBAL

**PROFILE:**

Ms. Cristina Garmendia Mendizábal obtained a PhD in Biological Sciences, specialising in Genetics, and became a Doctor of Molecular Biology at the Dr Margarita Salas laboratory, Severo Ochoa Centre for Molecular Biology. She completed her studies with an MBA from the IESE Business School of the University of Navarra.

She was Minister of Science and Innovation in the Spanish Government during the whole of its IXth Legislature. Since leaving the Government, she resumed her responsibilities at the companies she herself founded, Ysios and Genetrix.

She is chairperson at the *Fundación COTEC* and a member of various advisory boards, member of university councils and sits on the Boards of several companies, including Mediaset, CaixaBank and Logista.

She is an advisor at the European Union, as member of the High Level Group (HLG) that has presented the recommendations for the design of the IX Framework Program of the EU (2021-2026).

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

**NAME OF DIRECTOR:**

Mr. ALAIN MINC

**PROFILE:**

Mr. Alain Minc is a graduate of the Ecole des Mines de Paris and of ENA. After serving as Inspecteur des Finances, he joined Compagnie de Saint-Gobain in 1979, as Chief Financial Officer. In 1986, Mr. Minc became Vice-Chairman of CIR International (Compagnie Industrielle Réunite International) and General Manager of Cerus (Compagnies Européennes Réunies) which were the non-Italian affiliates of Benedetti Group. He has been Board member of numerous companies and the Chairman of the Supervisory Board of Le Monde, the leading French newspaper (19/12/94 to 11/02/2008).

Today he is Chairman of AM Conseil and Sanef. He is Commandeur de la Légion d'Honneur (France); Commander of the British Empire; Grand Cross of the Order of Civil Merit (Spain). Alain Minc wrote more than 30 books on different subjects (economics, history, social and politics, among others).

**NAME OF DIRECTOR:**

Mr. JAIME CARVAJAL HOYOS

**PROFILE:**

Mr. Carvajal Hoyos holds a Bachelor of Arts in Physics from Princeton University (New Jersey, USA). Mr. Carvajal started his professional career in the Mergers and Acquisitions department of Lehman Brothers in New York and, after some years in Spain where he founded his own financial advisory firm, Mr. Carvajal returned to the United States, this time to The World Bank in Washington D.C. where he was Chief of Staff of the President among other posts. Upon his return to Spain, he became General Manager of Sabadell Banca Privada in Barcelona and is currently Chief Executive Officer of Arcano Partners, the advisory and investment management firm of which he is a co-founder. Mr. Carvajal was also Chairman of the Board of EVO Banco, S.A. until May 2019. Currently, in addition to his position at Arcano Partners and at Grupo Logista, Mr. Carvajal is member of the Board of Allfunds Bank and member of the Board of a number of foundations such as the Fundación Princesa de Girona (of which he was Vicepresident for seven years) or

the Fundación Joan Bosca as well we member of the International Advisory Board of the Teatro Real of Madrid.

Number of independent directors	4
Percentage of the Board	40%

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

NO

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	1	1	1	10.00%	10.00%	10.00%	10.00%
Other external	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	1	1	1	1	10.00%	10.00%	10.00%	10.00%

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes ☒

No ☐

Partial policies ☐

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

The Board of Directors of the Company, of 19 December 2017, approved the Policy on Selection of Board Members, based, among other principles, on "gender diversity, experience and knowledge."

The Policy also establishes that "the Board of Directors will ensure that the procedures for selecting its members promote diversity of gender, experience and knowledge, have no latent bias which could involve discrimination of any kind, and in particular, facilitate the selection of female Board Members."

The Appointments and Remuneration Committee proposes, without any bias of gender diversity, the most convenient candidate, with the best knowledge and experience in the Group's activities, as required by the Policy, having not been covered, finally, vacancies, with members who also meet the status of female Board Member.

**C.1.6** Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

See Section C.1.5 above

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means
See Section C.1.5 above

**C.1.7** Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

See Section C.1.5 above

**C.1.8** If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
N/A	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes ☐

No ☒

**C.1.9** State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
LUIS EGIDO GÁLVEZ	He has been delegated all the faculties of the Board of Directors that can be delegated according to the Law and the Bylaws, excluding the faculties that, according to Article 38 of the Bylaws of the Company, require the approval of the resolution by, at least, the 70% of the members of the Board of Directors.



**C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:**

Name (person or company) of the director	Company name of the entity of the Group	Position	¿Does he/she have executive functions?
Mr. Luis Egido Gálvez	Compañía de Distribución Integral Logista, S.A.U.	Chairman	YES
Mr. Luis Egido Gálvez	Logista Italia, S.p.A.	Chairman	YES
Don Luis Egido Gálvez	Logista France SAS	Representative of the President (Compañía de Distribución Integral Logista SAU)	YES
Mr. Rafael De Juan López	Compañía de Distribución Integral Logista, S.A.U.	Secretary Director	YES
Mr. Rafael De Juan López	Compañía de Distribución Integral Logista Publicaciones, S.L.U.	Chairman	NO
Mr. Rafael De Juan López	Dronas 2002 S.L.U.	Director	NO
Mr. Rafael De Juan López	Logista Pharma, S.A.	Director	NO
Mr. Rafael De Juan López	Logista Italia, Spa	Director	NO

**C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:**

Name (person or company) of the director	Name of listed company	Position
Ms. Cristina Garmendia Mendizábal	Mediaset España Comunicación, S.A.	Director
Ms. Cristina Garmendia Mendizábal	CaixaBank, S.A.	Director

**C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:**

Yes ☒

No ☐

Explanation of the rules and identification of the document where this is regulated
Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Logista Group. Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by law, of a maximum of nine boards of directors of listed companies other than the Logista Group (Article 23 of the Board of Directors Regulations).

**C.1.13 State total remuneration received by the Board of Directors:**

Board remuneration in financial year (thousand euros)	4,477
Amount of vested pension interests for current members (thousand euros)	3,119
Amount of vested pension interests for former members (thousand euros)	0

Remarks
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**C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:**

Name	Position
Mr. Pascal Ageron	General Manager - Tobacco, Telecoms & Strator France
Mr. Jan Babst	Corporate Director of Information Services
Mr. Antonio García Villanueva	Corporate Resources Director
Mr. Miguel Gómez Prado	CEO - Logista Pharma
Mr. Juan José Guajardo-Fajardo Villada	Corporate Human Resources Director
Mr. Antonio Mansilla Laguía	Corporate Operations Director
Ms. Gloria Martín Gimeno	Investors Relations And Strategic Analysis Corporate Director
Mr. Francisco Pastrana Pérez	General Manager - Tobacco and Convenience Iberia
Mr. Pablo Rebollo Pericot	General Manager Nacex and Integra2
Mr. Manuel Suarez Noriega	Corporate Finance Director
Ms. Laura Templado Martín	Corporate Internal Audit Director

Total senior management remuneration (thousand euros)	4.583
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**C.1.15 State whether the Board rules were amended during the year:**

Yes ☐

No ☒



**C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.**

**Directors' Appointments**

The appointment, ratification, re-election and removal of Directors correspond to the General Meeting, without prejudice to the authority of the Board of Directors to make appointments by co-option.

If during the term for which a Director was elected that Director ceases to be a Director of the Company, for any reason, the Board of Directors, to fill the vacancy, may appoint a Director by co-option.

The co-option will be governed by the provisions of law, with the Director appointed by the Board not necessarily being required to be a shareholder of the Company.

The appointment of Directors by the system of co-option in accordance with the provisions of law will be effective until the first following General Meeting, which must ratify the appointment or designate the person that thereafter is to fill the position, or until the holding of the next following General Meeting, if the vacancy occurs after the call of the General Meeting, and before it is held.

Proposal of appointment or re-election of Directors corresponds to the Appointments and Remuneration Committee, in the case of independent Directors, and to the Board of Directors itself, in other cases.

A proposal of appointment, re-election or removal of any non-independent Director in addition must be preceded by a report of the Appointments and Remuneration Committee.

The proposal in any event must attach a justifying report of the Board of Directors, which evaluates the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or of the Board of Directors itself.

The provisions of this section also are applicable to individuals who are appointed as representatives of a Director that is a legal person. The proposal of the individual representative must be submitted to a report of the Appointments and Remuneration Committee.

The Board Regulations state the following competencies (among others) for the Appointments and Remuneration Committee (Articles 18.2 a), c) and d) of the Regulations):

- Evaluating the skills, knowledge and experience required on the Board. For these purposes, it will define the functions and skills required of candidates that are to fill each vacancy and will evaluate the time and dedication necessary for them to be able to effectively perform their duties.
- Making proposals to the Board of Directors of independent Directors to be appointed by co-option or for submission to decision by the General Shareholders Meeting, and proposals for re-election or removal of those Directors by the Meeting.
- Inform about the appointment, ratification, reappointment and removal of non-independent Directors, as well as the appointment and removal of the Managing Director/s and of the members of the Executive Committee, and the permanent delegation of its relevant faculties to them.

**Eligibility. Incompatibilities.**

The Board of Directors and the Appointments and Remuneration Committee, within the scope of their competencies, shall endeavour to ensure that the candidates are selected from among persons of recognised solvency, competence and experience, and that have the necessary

availability for the proper performance of their duties as Directors, and shall be particularly rigorous in choosing the persons to cover the posts of Independent Directors.

In the case a Director is a legal entity, the requirements indicated will also be applicable to the individual representing the organisation, and, in addition, the Director duties set out in these Regulations will also be enforceable on a personal level.

Persons involved in prohibition or legal incompatibility processes may not be appointed as Directors of the Company.

Moreover, the Directors of the Company may become part at the same time, and with the limitation provided by Law, of a maximum of nine boards of directors of listed companies other than the Company (Article 23 of the Board of Directors' Regulations)

#### **Re-election of Directors**

The proposals for re-election of Directors that the Board of Directors decides to present to the General Meeting of Shareholders shall be subject to a formal procedure, which must necessarily include a report issued by the Appointments and Remuneration Committee in which the quality of work and dedication to the post of the proposed Directors during the preceding term of office is evaluated.

The Board of Directors shall endeavour to ensure that the External Directors who are re-elected do not always remain assigned to the same Committee (Article 24 of the Board of Directors' Regulations).

#### **Term of office**

Directors shall occupy their post during the period established in the By-Laws, which shall in no case exceed four years, and may be re-elected.

Directors appointed by the Board of Directors by co-opting to fill a vacancy pursuant to these Regulations shall occupy their posts until the date of the next General Meeting of Shareholders, unless their appointment is ratified by such General Meeting of Shareholders (Article 25 of the Board of Directors' Regulations).

#### **Board Assessment**

The Board of Directors will dedicate at least one meeting a year to assessing its operation and the quality of work performed by Committees.

#### **Debates and Voting**

In accordance with the provisions in article 27 of the Board Regulations, Directors concerned with any appointment, re-election or removal proposals will not intervene in debates and voting on those matters.

#### **C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:**

On October 30<sup>th</sup>, 2018, the Company's Board of Directors approved an Improvement Action Plan for its functioning and that of its Audit and Control and Appointments and Remuneration Committees, as well as for the performance of the Chairman, the CEO and the Secretary of the Board. As a consequence of such Plan:

1. The information sent to Board has been revised, reducing the weight of recurrent information and concentrating the reflection and analysis elements.

2. The CEO, together with the Appointments and Remuneration Committee, has improved Talent and Key Management Succession Plans.
3. The information for Directors is sent in advance.
4. The intervention and debate on the matters discussed at the Audit and Control Committee has been strengthened.

**Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.**

The Board of Directors of September 24<sup>th</sup>, 2019 has evaluated, in relation to fiscal year 2018-2019, the following:

1. The Board of Directors of the Company, in the following aspects:
  - General questions
  - Meetings of the Board
  - Functions and Responsibilities
  - Composition
2. The Audit and Control Committee, in the following aspects:
  - Composition
  - General questions
  - Meetings
  - Functions and Responsibilities
3. The Appointments and Remuneration Committee, in the following aspects:
  - Composition
  - General questions
  - Meetings
  - Functions and Responsibilities
- 4.- The Chairman of the Board (Performance)
- 5.- The CEO (Performance)
- 6.- The Secretary of the Board (Performance)

This self-assessment was carried out, on the proposal of the Appointments and Remuneration Committee, at its session of June 25, 2019, and has had the external advice of KPMG Asesores, S.L.

**C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.**

**FY 2015-2016: KPMG Asesores, S.L.**

- Legal services of elaboration of expert reports as independent experts for Compañía de Distribución Integral Logista S.A.U., provided by KPMG Asesores, S.L.

**FY 2018-2019: KPMG Asesores, S.L.**

- Internal Audit Services for Logista France, SAS, provided by KPMG, S.A.
- Legal services of elaboration of expert reports as independent experts for Compañía de Distribución Integral Logista S.A.U., provided by KPMG Asesores, S.L.
- Due Diligence Advisory Services for Compañía de Distribución Integral Logista S.A.U., provided by KPMG AG.
- Services of external evaluation of the Internal Audit quality for Compañía de Distribución Integral Logista Holdings, S.A., provided KPMG Asesores, S.L.

**C.1.19 State the situations in which directors are required to resign.**

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

- a) When they are removed from the executive posts to which their appointment as Directors was associated;
- b) When they are involved in any of the scenarios of incompatibility or prohibition envisaged by the Law;
- c) When Directors have performed acts that are contrary to the diligence with which they are obliged to perform their duties, infringed their duties and obligations as Directors;
- d) When their presence on the Board could jeopardise the interests of the Company or cause serious damage to its credibility and reputation. In particular, Directors should inform the Board of any criminal charges brought against them and the progress of any subsequent trial;
- e) The moment a Director is indicted or tried for any of the offences stated in Company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such determinations in the Annual Corporate Governance Report.
- f) When, having been appointed on the proposal of a significant shareholder, the latter notifies the Company, at any time, of the decision of the shareholder not to reappoint him at the end of his term, or when the significant shareholder transfers, all its shareholding in the Company.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes ☒

No ☐

If so, please describe any differences.

According to the provisions of Article 38 of the Company By-Laws, the Board shall approve resolutions by absolute majority of the Directors attending the meeting, either in person or via proxy. Notwithstanding the above, the adoption of any resolutions related to any of the matters set out below will require the positive vote of at least 70% of the Directors, as rounded up in case that the application of that percentage does not result in a whole number of Directors, that form part of the Board of Directors and will not be delegated:

- a) any increase or reduction in the share capital of the Company in accordance with article 7 of these By-laws, or the issuance by the Company of any bonds or securities pursuant to Title III of these By-laws.
- b) the approval of an annual plan in relation to the capital expenditure, investments and other funding commitments to be carried out by the Company in the following year (the "Annual Capex Plan");
- c) the acquisition of all or part of any business of any third party whether by way of the purchase (whether direct or indirect) of shares, assets or other like interests of any third party (including by way of merger or business combination) by the Company or any member of its Group;
- d) the disposal of all or part of any business to any third party whether by way of the disposal (whether direct or indirect) of shares, assets or other like interests (including by way of merger or business combination) by the Company or any member of its Group;
- e) any decision of the Company to enter into any partnership or joint venture or any other arrangement to share or distribute profits or assets;
- f) any decision of the Company to incur or agree to incur, whether directly or indirectly, any capital expenditure, investment or other funding commitment in respect of any matter in excess of €1,000,000 in aggregate save to the extent that such capital expenditure, investment or other funding commitment (including the amount of such capital expenditure, investment or other funding commitment) is set out in the Annual Capex Plan for that period that has been approved in accordance with section (b) above;
- g) any decision of the Company to amend the terms of its borrowing or indebtedness in the nature of borrowing or grant guarantees, or to create or incur borrowing or indebtedness in the nature of new borrowing
- h) the creation of any mortgage, pledge, lien, charge, assignment of any of such securities, hypothecation or other security interest in relation to the Company, other than a security interest created by operation of law as a result of the ordinary course of business of the Company; and
- i) any decision to delegate any powers of the Board of Directors to a Managing Director, or to delegate any powers of the Board to any Committee of the Board.

For the purposes of counting the majority of members of the Board of Directors for the adoption of the abovementioned resolutions, the members of the Board that may be under

a conflict of interest and that shall abstain from voting, shall be discounted from the total number of members of the Board on which shall be calculated said majority.

**C.1.21** Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes ☐

No ☒

**C.1.22** State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes ☐

No ☒

**C.1.23** State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes ☐

No ☒

**C.1.24** State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

The Directors must attend Board meetings and, when they cannot do so in person, they shall arrange for their representation and vote to be granted in favour of another Board member, including appropriate instructions.

The delegation may be made by letter, fax, telegram, e-mail, or by any other valid means acknowledged in writing.

Non-executive Directors may do so only to another non-executive Director.

**C.1.25** State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	9
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	N/A
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Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Audit Committee	8
Number of Meetings held by the Appointments and Remuneration Committee	7



- C.1.26** State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings when all directors attended	9
% of attendance over total votes during the year	96.7
Number of meetings in situ or representations made with specific instructions of all directors	7
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	97.7

- C.1.27** State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes ☐

No ☒

- C.1.28** Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

In accordance with the provisions of Article 17.2 of the Board of Directors' Regulations and of Article 5.1 of the Audit and Control Committee rules, the Audit and Control Committee, in what refers to its responsibilities in relation to the control of financial information, shall supervise that the Board of Directors can present the Company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the Chairman of the Audit and Control Committee and the auditors should give a clear account to shareholders of their scope and content.

Prior analysis of economic and financial information, including the analysis of the main assumptions and magnitudes, changes in the consolidation perimeter, and evaluation of the potential impacts arising from changes in the Accounting Standards.

Supervision of the annual planning of the audit of accounts, as well as the Internal Control System of Financial Information.

Quarterly attendance of external auditors, in joint action, which allows managing in advance possible aspects that could have a significant financial impact on the Group's assets, results or reputation.

Historically, the Company's audit reports have been filed without qualification.

- C.1.29** Is the secretary of the Board also a director?

Yes ☒

No ☐

- C.1.30** State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Relations of the Board with external auditors will take place via the Audit and Control Committee.

The Board of Directors shall refrain from hiring those audit firms whose projected fees including all items exceed five per cent of its total revenues during the previous financial year.

The Board of Directors shall make public the total fees paid to the audit firm for services other than accounts auditing.

In addition, the Audit and Control Committee has among its competencies, the following:

- Establish appropriate relationships with external auditors or audit firms to gather information on those matters which may threaten his/her independence for examination by the Committee, and any other matters relative to the development of Account auditing, and when appropriate, authorise services other than those prohibited under the conditions provided in the relevant regulations regarding the independence of auditors, as well as any other communications schedules in Account auditing legislation and Auditing technical regulations. In any event, it must receive from the external auditors or audit firms a written declaration on an annual basis of their independence against the Logista Group or entities directly or indirectly related thereto, as well as detailed information on an individual basis about additional services of any kind provided to and the corresponding fees received from such entities by such auditors or persons or entities related thereto, pursuant to the Laws on auditing accounts. The Committee shall ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

In this regard, the Committee shall ensure that the remuneration of the external auditor does not compromise its quality or independence.

- On an annual basis, prior to the audit report, issue a report containing an opinion on the independence of the auditors and on whether the independence of auditors and audit firms has been compromised. This report, which shall be published in the Logista Group website well in advance of the Annual General Meeting, in any event must cover a detailed evaluation of the provision of each and every additional service referred to in the preceding section, taken individually and as a whole, other than the legal audit, as regards independence of the auditors and regulations governing account audit activities.

In accordance with the Company's Policy of Information and Communications with Shareholders, Securities Markets and Public Opinion, meetings with analysts, investors and communication media should be planned in advance, so that, in no case, any information which could place them in a privileged or advantageous situation is delivered to them.

**C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:**

Yes ☐

No ☒

**C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:**

Yes ☒

No ☐

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	80	594	674
Amount invoiced for non-audit services/Amount for audit work (in %)	79%	27%	33%



**C.1.33** State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes ☐

No ☒

**C.1.34** State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	6	6

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100.00%	100.00%

**C.1.35** State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes ☒

No ☐

Summoning of ordinary sessions will be performed by letter, fax, telegram or e-mail, or by any other means which provides evidence, and this notification will be authorised with the signature of the Chairman, or the person substituting the Chairman, or the signatures of the Secretary or Deputy-Secretary following the Chairman's orders. The call will be effectuated with a minimum notice of two days.

Except for justified cause, the call will include an agenda for the meeting and will be accompanied by a summary of all the necessary information relevant to deliberation and adoption of resolutions regarding the matters to be considered.

Absent just cause, the call will include the agenda for the meeting and will attach a summary of the necessary information relevant to deliberation and adoption of resolutions regarding the matters to be considered, clearly indicating on which points Directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

In the event that, for reasons of urgency, the Chairman may wish to present decisions or resolutions for Board approval that were not on the meeting agenda, their inclusion will require the express prior consent, duly minuted, of the majority of Directors present.

Furthermore, Article 33 of the Board Regulations sets as one of the obligations of the Director, to gather information and prepare suitably for Board meetings as well as meetings of the delegated bodies or Committees he is a member of.

Finally, and according to Article 28 of the Board Regulations, Directors have the duty to demand and the right to receive from the Company such appropriate and necessary information allowing them to fulfil their obligations. This right to information is extensible to all the companies of the Company Group, whether these are national or foreign.

With the aim of not disturbing the ordinary management of the Company, the exercise of information duties will be channelled through the Chairman, Managing Director or the Secretary of the Board of Directors, who will assist the Director's request providing the information directly, facilitating contacts with the relevant department in the organisation or deciding on the measures so that examination tasks may be performed in situ.

**C.1.36** State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

Yes ☒

No ☐

See Section C.1.19

**C.1.37** State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes ☐

No ☒

**C.1.38** Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The Company has not reached any agreement that may come into force in the event of a change in control of the Company from a public takeover bid.

**C.1.39** Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction

Number of beneficiaries: 10

Type of beneficiaries:

Certain senior managers

Description of the resolution:

- Compensation in the case of wrongful dismissal (10 agreements): The compensation to pay, depending on the case, will be of 3 months' salary, or of 1 or 2 years of Fix and Variable Remuneration, unless the legal compensation is higher.
- Compensation for post-contractual non-compete clause (9 agreements): 6 or 12 months of Fix and Variable Remuneration.
- Compensation in case of change of control (4 agreements): minimum of 24 months of Fix and Variable Remuneration.

All these agreements, excepting one, were executed before the admission to listing of the Company's shares.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the severance clauses	YES	NO
	YES	NO
Are these clauses notified to the General Shareholders' Meeting?		X

## C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

### AUDIT AND CONTROL COMMITTEE

Name	Position	Category
Mr. Alain Minc	Chairman	Independent
Ms. Cristina Garmendia Mendizábal	Member	Independent
Mr. Gregorio Marañón y Bertrán de Lis	Member	Independent
Mr. Richard Guy Hathaway	Member	Proprietary

  

% of proprietary directors	25%
% of independent directors	75%
% of external directors	00%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Audit and Control Committee has the following competencies:

- Inform the General Meeting of Shareholders on the matters raised by the shareholders relating to the matters under its competence.
- Refer to the Board of Directors the proposals for selection, appointment, re-election and replacement of the outside auditor, as well as the conditions of the engagement thereof
- Supervising Internal Audit services and activities and, in particular, the Annual Audit Plan.
- Supervising the effectiveness of the Internal Control Systems of the Company, as well as of the Risks Management Systems, including tax Risks.
- Establish and supervise a procedure that allows employees from the Company Group to confidentially report irregularities.

- f) Establish appropriate relationships with external auditors or audit firms to gather information on those matters that may put their independence at risk.
- g) On an annual basis, prior to the audit report, issue a report on the independence of the auditors.
- h) Ensure that the Company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- i) Investigate the issues giving rise to the resignation of the external auditor, should this come about.
- j) Ensure that the external auditor has a yearly meeting with the Board plenary to inform it of the work undertaken and developments in the Company's Risk and accounting positions.
- k) Inform the Board of Directors of the Company's Annual Financial Statements, as well as the regulated financial information.
- l) Monitor compliance with legal requirements and proper application of generally accepted accounting principles, and report on proposals for modification of accounting criteria and principles suggested by Management, and on and off balance sheet risks.
- m) Supervise the preparation, integrity and fair presentation of the regulated financial information.
- n) Report to the Board of Directors transactions in special-purpose entities, or in entities domiciled in territories treated as tax havens, and any conflicts of interest.
- o) Examining and previously reporting on the Corporate Governance Annual Report, on the compliance with the Internal Code of Conduct on Securities Market and with the Board Regulations and, in general, with the Company's governance rules, as well as putting forward proposals for its improvement.
- p) Supervise compliance with the Corporate Social Responsibility policy of the Company.
- q) Drafting an Annual Report for the Board of Directors describing the activities of the Audit and Control Committee.
- r) Any other reporting and proposal functions it is tasked with by the Board of Directors.
- s) Any other competence or function under the law, the By-Laws, the Regulations of the Board, or the Rules of the Committee.

The Audit and Control Committee shall meet as periodically as determined, whenever called by its Chairman or requested by two of its members, and in any event at least four times per year.

Main activities of the Audit and Control Committee during financial year 2018-2019:

- Information and Supervision of the Periodic Financial Information that the Company submits to the National Stock Market Commission ("CNMV") and to the markets.
- Information and submission to the Board of Directors of the Individual and Consolidated Annual Accounts of the Fiscal Year, as well as of the Interim Condensed Consolidated Financial Statements at 31 March 2019.

- Supervision of the Degree of Compliance with the Model for the Prevention of Risks from Crime.
- Quarterly and annual monitoring of the Internal Audit Plan 2017-2018, and approval of 2019-2020 Plan. Analysis of the Group's cybersecurity.
- Report-Proposal to the Board of Directors of the Policy "General Principles of Conduct of the Suppliers of Logista Group", of the amendment of the Group's Purchasing Policy, as well as of the updating of the Logista Group Internal Audit Policy.
- Update of the Risk Map of the Group. Analysis of the Group's cybersecurity.
- Monitoring of the Internal Control activities of the Group, including the System of Internal Control over Financial Reporting (ICFR).
- Annual Evaluation of the Internal Audit Unit and of the Business and Individual Objectives for the Short-Term Variable Remuneration of the Corporate Director of Internal Audit.
- Supervision of Accounts Audit fees 2018-2019, and planning of the accounts audit for the financial year.
- Authorization for the provision by auditors of the Company or of companies of the Group, of services other than accounts auditing.
- Appointment of the President of the Committee, due to the expiration of the term of office of the previous President.
- Proposal to engage an independent expert to verify the Statement of Consolidated Non-Financial Information for fiscal year 2018-2019.
- Proposal of engagement for the provision of services of Internal Audit, and for the external quality evaluation of the Internal Audit.
- Supervision of the Annual Report on the Corporate Social Responsibility.
- Report-Proposal to the Board of Directors of the Annual Report on Corporate Governance for the fiscal year 2017-2018.
- Report on the Auditor Independence.
- Report on the functions and activities of the Committee during fiscal year 2017-2018.
- Self-assessment of its functions and composition during the fiscal year.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MR. RICHARD GUY HATHAWAY MR. ALAIN MINC
Date of appointment of the chairperson	26/03/2019

### APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Mr. Gregorio Marañón y Bertrán de Lis	Chairman	Independent
Mr. Alain Minc	Member	Independent
Mr. Jaime Carvajal Hoyos	Member	Independent
Mr. John Matthew Downing	Member	Proprietary

% of proprietary directors	25%
% of independent directors	75%
% of external directors	0%

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments and Remuneration Committee has the following competencies:

- a) Assessing the necessary competencies, knowledge and experience on the Board of Directors.
- b) Establishing a goal for under-represented sex on the Board of Directors, and developing guidance on how to achieve that goal.
- c) Propose the appointment, ratification, reappointment and removal of Independent Directors, and report the appointment, ratification, reappointment and removal of the other Directors, as well as the appointment and removal of the CEO, and the permanent delegation of the Board relevant faculties.
- d) Inform about the proposals for the appointment and removals of the Chairman, Vice-Chairman, Secretary and Deputy-Secretary of the Board of Directors.
- e) Examining or organising, in the manner deemed suitable, succession of the Chairman and the first executive.
- f) Reporting appointments and removals of Senior Managers, previously proposed by the first executive to the Board of Directors.
- g) Proposing the following to the Board of Directors for its approval:
  - i) Compensation policies for Directors and Senior Management.
  - ii) The Annual Report on Remuneration of Directors
  - iii) Individual compensation for Executive Directors and any other conditions pertaining to their contracts.
  - iv) The basic conditions in the contracts of Senior Managers.
- h) Ensuring compliance with the Company's remuneration policies.
- i) Ensuring that selection processes are not implicitly biased in such a way that selecting female Directors is prevented.
- j) Verifying compliance with the Directors' selection policy.



- k) Any other competence or duty conferred by the Law, the By-Laws or Board Regulations.

The Appointments and Remuneration Committee will meet every time it is called by its Chairman or two of its members' request, and when the Board of Directors or its Chairman request the issuance of a report or the adoption of agreements.

The Appointments and Remuneration Committee adopts decisions or make recommendations by voting majority of the total number of its members.

Main activities during financial year 2018-2019:

- Submission to the Board of the Annual Report on Directors' Remuneration 2017-2018.
- Evaluation of the degree of achievement of the Group's Business Objectives 2017-2018 (Bonus) and Proposal of Setting of the Group's Business Objectives 2018-2019.
- Evaluation of the Short-Term Variable Remuneration of the Executive Directors (2017-2018).
- Setting of the Fixed Remuneration of Executive Directors for 2019.
- Reports on the cessation and appointment of Senior Managers.
- Report on the ratification by the General Shareholders' Meeting of the appointment by co-option of proprietary Directors Mr. Amal Pramanik and Mr. John Michael Jones, and of independent Directors Mr. Alain Minc and Mr. Jaime Carvajal.
- Proposal to the Board of settlement of the Second Consolidation Period of the Company 2014 Plan (General Plan and Special Plan).
- Proposal of Beneficiaries and Number of Shares to be granted, in the General and Special Plans for Performance Shares 2017 of the Company/Second Consolidation Period (2018-2021).
- Report-Proposal on appointment of the Chairman of the Audit and Control Committee.
- Follow-up of the Group's Talent Management Plan/Group's Succession Plan for Top-Level Directors.
- Self-assessment of its composition and functions, and proposal to the Board of improvement actions. Engagement of external consultant.
- Proposal to the Board of self-assessment of the Board performance, as well as that of its President, CEO and Secretary Director, and Improvement Plan.
- Report on the functions and activities of the Appointments and Remuneration Committee 2017-2018.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2018	Number %	Year 2017		Year 2016		Year 2015	
			Number	%	Number	%	Number	%
Audit committee	1	25.00%	1	25.00%	1	25.00%	1	25.00%
Appointments and remuneration committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

**C.2.3** State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

Besides the Capital Companies Act, the By-Laws of the Company (Articles 41 to 43 bis) and the Board of Directors' Regulations (Articles 15 to 18) contain the rules governing the Board Committees.

The Audit and Control Committee is also governed by its Rules, of December 19, 2017, approved following the recommendations of the Technical Guide of the Audit Committees of public interest entities of public interest ("The Technical Guide").

On December 19, 2017, the Board of Directors modified articles 15, 17 and 46 of the Board Regulations, and to adapt them, in particular, to the Recommendations of the Technical Guide.



## **D** RELATED-PARTY AND INTRAGROUP TRANSACTIONS

### **D.1 Describe, if applicable, the procedure for approval of related-party and intragroup transactions.**

Article 39 of the Board of Directors' Regulations state that the Board formally reserves the knowledge and authorization, previous report of the Audit and Control Committee, of Related-Party Transactions (Transactions of the Company with Directors or with significant shareholders), except for such matters that are legally within the competence of the General Meeting. To authorise, if appropriate, the Related-Party Transactions, the Board of Directors first and foremost shall serve the interests of the Company, evaluating the transaction from the standpoint of equitable treatment of shareholders and market conditions.

No authorisation of the Board of Directors shall be required in connection with Related-Party Transactions that simultaneously satisfy the following three conditions: (i) that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to many customers; (ii) that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question; (iii) that the amount thereof does not exceed one per cent of the Company's annual revenues.

In the case of ordinary transactions that are not subject to the Board's authorisation, a general authorisation of the line of operations and its execution conditions shall be sufficient.

The Directors affected by the related-party transaction, either personally, or to the shareholders whom they represent in the Board, in addition to not intervene in the decision or exercise or delegate their right to vote, they will be absent from the meeting room, while the Board deliberates and votes on the related-party transaction.

The Company shall report on the mentioned related-party transaction mentioned, in the Annual Report on Corporate Governance, in the regulated financial information, and in the notes to the Financial Statements, to the extent by Law.

Likewise, Article 34 of the Board Regulations states that Directors shall report to the Board of Directors any situations involving a direct or indirect conflict, either personally or through persons linked to him, with the interests of the Company or the companies in its Group.

Also, the Framework Agreement dated 12 June 2014, signed between the Company and Imperial Brands (formerly named Imperial Tobacco Group) establishes that all Related-Party Transactions and, in general, any transaction that may pose a conflict of interest affecting the Group and the IB Group should be arranged under market conditions that, according to the circumstances, would have been reasonably stipulated by two independent operators and in accordance with the principle of equal treatment of shareholders and the principle of neutrality established in that same Framework Agreement.

**D.2 Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:**

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Purchase of finished or not finished goods	346,966
Altadis S.A.U.	Compañía de Distribución Integral Logista, S.A.U.	Commercial	Services performance	5,850
Imperial Brands Finance Plc	Compañía de Distribución Integral Logista, S.A.U.	Contractual	Collected interests	14,489

**D.3 Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:**

No transaction has been carried out.

**D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.**

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

N/A

**D.5 State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.**

N/A

**D.6 Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.**

Article 34 of the Board Regulations rules the conflict of interest that may affect Directors and their related parties, requiring both of them to (i) report to the Board of Directors any situation involving a direct or indirect conflict, either personally or through persons linked to them, with the Company's interests and (ii) refrain from intervening in the agreements or decisions relating to the transaction to which the conflict of interests refers.

Related persons are the persons described in article 231 of the Spanish Companies Act ("Ley de Sociedades de Capital").

The Director should report any stakes held directly or indirectly and personally or by related persons in the share capital of a company with the same, similar or

complementary activity that constitutes the corporate purpose, as well as positions or functions they discharge, as well as performing either personally or for another party similar or complementary activities, to the ones which constitutes the social purpose of the Company.

Directors should abstain in engaging in professional or commercial transactions with the Company unless the situation of conflict of interests is reported previously and the Board, subject to a report from the Audit and Control Committee, approves the transaction.

Furthermore, Section 7 of the Company Internal Regulations for Conduct in the Securities Markets establishes the conduct regulations regarding conflicts of interest. In particular, the Company Internal Regulations for Conduct establishes the general principles of independence, abstention and confidentiality that persons subject to it must observe. These Regulations also state the procedure that persons subject to them must follow to previously report any situation of conflict of interest. These transactions must be previously authorised by the Company Board of Directors, in case of conflict of interests affecting Directors and Senior Management of the Company, and by the Company CEO, in all other cases.

Also, the Framework Agreement provides that when a related party transaction personally affects a Director or the shareholder he represents at the Board, he must abstain from intervening in the decision, as well as from voting or delegating his vote. He will also leave the Board meeting room, while the Board deliberates and votes on such related transaction. Nevertheless, the Proprietary Directors appointed by or representing Imperial Brands must be present in each debate and voting regarding the Framework Agreement or the Treasury Agreements (even though they will not be able to vote regarding these matters).

D.7 Is there more than one company in the group listed in Spain?

Yes ☐

No ☒

## **E RISK MANAGEMENT AND CONTROL SYSTEMS**

### **E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.**

The Corporate Risk Management System of the Company and its subsidiaries (hereafter, "the Group" or "Logista Group") is set forth in the Risks Management General Policy of September, 29<sup>th</sup> 2015.

The Risk Management General Policy, applicable both to each of the businesses and countries, and Corporate areas of the Group, sets up the guidelines to integrate all the information originating from the different functions and operations of the Group, with the purpose of providing to the Business Managers/Corporate Directorates, a holistic view, improving the Management capacity to manage Risks in an efficient way and minimizing the impact in case the Risks materialize.

The Policy defines different Risk categories, in which, as part of the financial Risks category, tax Risks related to the current Group activity are included.

Therefore, Fiscal strategy described at Fiscal Policy of the Group, states, as part of its key objectives the following:

To minimize the fiscal Risks associated with the Company's operations and strategic decisions, thus ensuring that the tax payable is appropriate and in proportion to the operations of the Businesses, the material and human resources, and the business Risks of the Group.

To define the fiscal Risks and determine the Objectives and Activities of Internal Control, and to set up systems for reporting fiscal compliance and for keeping documentary records, integrated with the Group's General Framework of Internal Control.

On the other hand, the Group's Internal Control General Policy of April 25<sup>th</sup>, 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).

### **E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.**

#### **The Board of Directors**

Among its non-delegable faculties, the Board of Directors has to approve the general policies and strategies of the Group and among them, the control and Risk Management Policy, including tax Risks, as well as the supervision of the internal reporting and control systems, in particular those for financial information.

Risk and Control Management Policy will identify, at least, (i) different Risk categories, financial and not financial (operational, technological, legal, social, environmental, political and reputational, among others), for which the Group is exposed to, including those financial or economical, contingent liabilities and other off-balance Risks; (ii) the determination of the Risk level that the Group considers acceptable; (iii) predefined measures to mitigate impact of the Risks identified, in case they would materialize, and (iv) information and Internal Control Systems that will be used to control and manage those Risks, including contingent liabilities or off-balance Risks.

### **The Audit and Control Committee**

Among others, the Audit and Control Committee shall have the following competencies in relation to the supervision of the management and control of Risks, according to its Regulation, dated on December 19<sup>th</sup>, 2017:

- i. Supervising the effectiveness of the Company's Risk systems, reviewing the appointment and replacement of the managers, and also, when appropriate, submitting recommendations or proposals to the Board of Directors, and the corresponding period for their following-up.
- ii. Supervising the Risk control and management unit, which will have, among other duties, that of ensuring that the Risk control and management systems are functioning correctly, and in particular, that the major Risks to which the Company is exposed are correctly identified, managed and quantified; that of actively participating in the preparation of Risk strategies and in key decisions about their management; and that of ensuring that the Risk control and management systems are mitigating Risks effectively within the framework of the policy established by the Board of Directors.

### **The Internal Control Committee**

This Committee depends on the Audit and Control Committee of the Board of Directors, hierarchically and functionally.

The Committee has the following basic functions, among others: To promote and coordinate the work for annually updating the Group's Risk Map and propose approval to the competent bodies.

In relation with the Penal Risks Prevention Model, the Internal Control Committee also acts as Unit of Control and Follow-Up of Penal Risks, in relation with the direct penal responsibility of the legal persons, established by Spanish laws.

The Logista Group Internal Control Committee is comprised of the Corporate Financial Director, who acts as Chairman, the Internal Control Director, the Human Resources Director, a representative of the Legal Department, the Corporate Resources Director as well as the General Managers of the three most important businesses of the Group, acting the Internal Control Director as Secretary.

### **The Corporate Internal Audit Directorate**

The Corporate Internal Audit Directorate has the responsibility of:

- Preparing the Group's Procedures and criteria for the Risks Management, and controlling those approved by the Board of Directors for the Risks Management.
- Coordinating the development and regular updating the Group's Risks Map and regularly reporting to the Audit and Control Committee, who will report to the Board, on the appearance of new Risks, the evolution of the identified Risks the extent of implementation of the approved action plans and the general manner of functioning of the Group's System of Risks Management.
- Inform about the Risks that may have materialized, indicating the circumstances that have motivated them and if the established control systems have worked.

### **Process Owner:**

Employees responsible for the design, process development and detection of Risks and opportunities that may affect them. They are also responsible for the implementation of policies and Internal Control standards. They should identify the Risks of the Process and the Internal Control Activities that have to be performed in order to avoid or reduce those

Risks, as well as monitoring them and supporting and reporting to the Internal Control Coordinators.

**Internal Control Coordinators:**

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

**Control Owner:**

Employees responsible for carrying out the Control Activities defined in the Internal Control System and for informing the Process Owner, through reporting, of their results. When appropriate, they must suggest improvements and corrective measures to improve the design and effectiveness of the Control Activities, and they must at all times follow the directives in relation to the Risks Management.

**E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.**

In the Group Risk Map, the following Risks were identified, among others, which are classified according to its category as stated at the Risks Management Policy of Logista Group:

**Environment Risks:**

- Group's business could be adversely affected by the deterioration of the economic conditions, habits and consumption behaviour in the markets in which it operates (mainly Spain, Portugal, France and Italy).
- Tobacco illicit trade and contraband affecting in distributed tobacco volumes.
- Any future significant tax increase (eg: VAT and excise duties) or Tobacco price increase could have a negative effect on the business, as it would generate a drop of consumption and increase of illicit trade, and worsen the prospects or the financial situation and the operating result.

**Business Risks**

- Liberalization in the main markets where the Group operates as tobacco products authorized distributor where currently exists a State monopoly for retail sale of these products could affect results, if the measures already planned by the Group were not implemented.
- The growth strategy of the Group relies, among others, on other business activities different from tobacco. As long as the Group won't be able to achieve a sustainable increase of that business, the Group results would be affected.

**Operational Risks:**

- Theft of tobacco in facilities and during transport associated to increases in insurance premiums.
- Technological Risks associated to the lack of (or faulty) availability of the Information Systems.
- Cybersecurity Risk, as the Group is exposed to threats and vulnerabilities due to the



regular use of technologies and information systems in the development of their different activities.

Regulatory Compliance Risks:

- The Logista Group Businesses are subject to compliance of numerous general and industry laws and regulations, with European, national, regional and local reach, in every country where it operates, exposing the Group to potential failures to comply and the corresponding sanctions or claims and, on the other hand, to increasing costs for supervision of compliance and control.
- Penal Risk (commission of crimes within the company and/or in the benefit of the Group) or Risks associated to litigation in which the Group is currently part, either as plaintiff or defendant.

Financial Risks/ Tax Risks:

- Changes in the group's payment cycles could oblige it to seek external sources of finance to fulfil its obligations: As with any other wholesale business, the payment cycles for products acquired from manufacturers and the collection cycles of the points of sale do not coincide. For this reason alone, the Logista Group's payment to the tax authorities is made in a cycle which is different from that of the manufacturers and the points of sale.
- Risk of impairment of fair value of assets, in relation with goodwill high carrying value.
- Commercial credit Risk derived from the usual business operations with customers.

**E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.**

Group Risk Management methodology, is developed according to the following scheme, as described at its Procedure: establishment of objectives and context, identification of potential Risks, Risk analysis, Risk assessment (impact and probability), Risk treatment (assume, mitigate, transfer, eliminate), control and continuous monitoring of the Risk Management process, and information and communication.

On top of that, considers different Risk tolerances when rating gross Risks, both with quantitative and qualitative criteria, and assessing the Risk impact, which allocate each Risk in the general scheme of Risk appetite.

Criteria used by the Group to determine impact are the following: regulatory compliance, financial-economic impact, safety and security, impact in processes and reputational impact.

These criteria, together with ratings over likelihood rating and evaluation of Risks tolerance for each Risks identified, are added to the tools used for Risk Management (Risk Register and Risk Map), in order to report and monitor and adequate follow-up of key Risks by the corresponding bodies.

The Risk Management Policy defines the position of the Company regarding the Risk typology, including tax-related Risks.

The Group has a low tolerance towards the Risk in what concerns to policies, laws and regulations compliance, including tax regulation.

In general, due to the particularity of the business and the markets where the Group is

present, it has a moderate Risk profile, therefore Risk Management has to be done considering the following:

- a) Achieve those strategic objectives defined by the Group, keeping a level of uncertainty under control.
- b) Maximize the level of guarantee to shareholders.
- c) Protect Group financial results and reputation.
- d) Take care of stakeholders interests (shareholders, customers and manufacturers).

Highlight that in the strategic Group framework, providing high added value logistical services with a high level of technological innovation, the Group presents higher level of tolerance considering the technological Risks that could occur.

#### **E.5 State which risks, including tax compliance risks, have materialised during the year.**

Risks materialized throughout the year are regular operational Risks, in the ordinary course of business, particularly theft of tobacco in the company facilities and during transport, not affecting the Group's financial results as the merchandise was properly insured, and also, liabilities for the resolution of fiscal litigation processes, ruled against the Group, not affecting significantly the Group's financial results, as these were properly provisioned, as well as other litigations of non-fiscal character.

In both cases the established control systems have allowed their mitigation, either the impact of Risk, neither its probability of occurrence. In general, the Internal Control and Risk Management Systems of Logista Group have allowed the allocation of several Risks in a low Risk profile, moreover some of them have been finalized without negative impact for the Group.

On April 10<sup>th</sup>, 2019, the National Commission for Markets and Competition imposed on Compañía de Distribución Integral Logista, S.A.U. ("Logista"), (100% subsidiary of the Company), a penalty of € 20.9 million, for "exchange of sensitive information regarding the sale of cigarettes from 2008 to 2017". Logista does not consider the sanction appropriate, and has filed against said resolution, an administrative contentious appeal before the National Court, and request for suspension of the payment of the sanction, which as of the date of this Report, is pending resolution.

Additionally, in the current year, Risks derived from the macroeconomic, social and political situation have materialized, especially those derived from the tax increase in France which routes the price of the package to 10 euros by 2020; its impact on sales volumes has been partially absorbed by restructuring plans, as well as the impact on the part of the manufacturers of said increases in the sale price, which causes a revaluation of inventories.

#### **E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.**

The methodology to elaborate the Group Corporate Risk Map, based on the individual Risk evaluation of the businesses, forces the evaluators to assess the Risks before and after considering the mitigating controls and action plans established for each case, ending up with the residual Risk classification (Severe, High, Moderate or Low). The Risk Management Procedure of Logista Group states that, for each residual Risk, it will be decided which action has to be done (Eliminate, Mitigate, Transfer or Assume), and also an action plan will be defined.



See below the main existing controls for the Risks identified in the E.3 section:

#### Environment Risks

- The markets most affected by the poor economic evolution, and the Businesses most exposed to its customer credit Risks, are reinforcing the procedures for the recovery of debts to shorten the terms, as well as reducing and tightly monitoring the credit limits, fostering the obtaining of bank guarantees.
- Regarding tobacco illicit trade and contraband, the Group is developing projects together with the manufacturers to establish more demanding track and trace protocols, in compliance with the European Directive of April, 3<sup>rd</sup> 2014.

#### Business Risks

- The effect of liberalizing the main markets in which the Group operates as tobacco-related products authorized distributor where currently there is a State monopoly for retail sale would, if there is a negative effect, mitigated by the business diversification strategy followed by the Group, and the capacity to sell tobacco through the large capillary point of sales network.

#### Operational Risks

- Theft of tobacco in the company facilities and during transport.
- The following measures reduce both the impact and the likelihood to a tolerable Risk level:
- ✓ Follow up of maximum security standards.
  - ✓ Insurance Policies.

#### Technological Risks

- ✓ Existence of Contingency Plans periodically tested to assess their effectiveness.
- ✓ There are permanent monitoring activities of the service level agreements according to the supplier that provides and administrates the Group infrastructures.

#### Cybersecurity Risk

- ✓ Preventive work of digital surveillance.
- ✓ Bi-annual external intrusion test and internal for new web applications.

#### Regulatory Compliance Risks

- The Corporate Legal Department centralizes the supervision of the most relevant contracts within the Group, to ensure that they strictly comply with Laws, and that the third parties contracting with the Group's companies comply with the principles of the Code of Conduct.
- In relation to Compliance and Crime Prevention within the Group's companies, the following controls currently exist:
  - ✓ The Group has a Code of Conduct and periodically asks employees to undertake mandatory training on its contents.
  - ✓ The Group has an Internal Channel for denounces and irregularities, with policies and procedures available to every employee in the Group intranet.

- ✓ There are Policies for investment, expenditures, indebtedness and other transactions, that require a strict approval and communication workflow.
- ✓ Also, adapted to the specific characteristics of the penal codes in Spain and Italy, in addition to the Group Code of Conduct, there are specific Manuals for crime prevention in these countries according to which, in case of lack of compliance with the controls and general behaviour principles stated in them and in the Group Code of Conduct, disciplinary actions could be taken against the offenders.
- ✓ There are specific procedures for preventing money laundering in the Group, being the Regulatory Compliance Director the body in charge addressed as the valid interlocutor with the SEPBLAC.

#### Financial/Tax Risks

- Regarding the goodwill high carrying value, the Group undertakes impairment tests according to the IFRS.
- Credit Risks mitigated by periodical credit controls, hiring insurance policies in order to mitigate possible impacts of unpaid credits in the commercial transactions.

Regarding the procedures followed by the Company to ensure that the Board of Directors responds to the new challenges that arise, the Audit and Control Committee supervises twice a year the evolution of the different key Risks, as well as its response strategies and associated mitigation plans, including fiscal ones, and approves and Issues the Group Risk Map Update. In those two quarters in which the said complete update is not presented, the Audit and Control Committee is informed about the most significant changes in the main Risks, which allows identifying new threats, as well as managing Risks in advance. Said Committee reports quarterly to the Board of Directors on its work of supervision of the Control and Risk Management Systems.

Likewise, the Board of Directors is specifically and periodically informed about the Group's main Risks, their evolution, response strategies and their associated mitigation plans, by the Corporate Internal Audit Department.

**F****INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)**

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

**F.1 Control environment**

Report on at least the following, describing their principal features:

- F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.**

The Logista Group System for the Internal Control of Financial Reporting (hereinafter 'ICFR') forms part of the Logista Group Internal Control System and consists of the whole of the processes carried out by the Board of Directors, the Audit and Control Committee, Senior Management and the Logista Group personnel to provide reasonable security in relation to the reliability of the financial information which is released to the markets.

Article 5 of the Rules of the Board of Directors of 26<sup>th</sup> January, 2016, modified at December 19<sup>th</sup> 2017, entitled 'The general role of supervision', lays down as one of its responsibilities the definition and approval of the Logista Group policies and general strategies, and in particular, the Policy on Control and Management of Risks, including fiscal Risks, and the supervision of the internal systems of reporting and control, and in particular, of financial reporting. It also defines the ultimate responsibility of the Board of Directors over the financial information which, as a quoted company, the Company has to publish regularly, and its responsibility to formulate the annual accounts and present them to the General Shareholders' Meeting.

In accordance with the provisions of Article 43 of the By-Laws, the Company has an Audit and Control Committee, whose main responsibilities, according to Article 17.2 of the Board's Rules and article 5 of Audit and Control Committee Regulation dated on December 19<sup>th</sup> 2017, are the following:

a) In relation to the control of financial reporting:

- Reporting at the General Shareholders' Meeting on the questions raised by shareholders about subjects within its area of responsibility, and in particular, about the result of the audit, and explaining how it contributed to the completeness of the financial information and to the role which the Committee performed during this process.
- Supervising the process of drawing up the required financial information and its completeness and submission, and making recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, checking compliance with regulations, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles, and, in particular, knowing, understanding and supervising the effectiveness of, the system for the Internal Control of Financial Reporting (ICFR).

- Supervising compliance with legal requirements and the correct application of generally accepted accounting principles, and reporting on the proposals for modification of accounting principles and criteria suggested by Management, and of the Risks on and off the balance sheet.
- Ensuring that the Board of Directors arranges to submit the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in the unlikely event of there being qualifications, that both the Chairperson of the Audit and Control Committee and the auditors clearly explain to the shareholders the nature and extent of those limitations or qualifications.
- Reporting to the Board of Directors on the Company's Annual Accounts and on the financial information, which the Company has to publish regularly, and which has to be sent to the bodies that regulate or supervise the markets.

*b) In relation to the supervision of internal control and of internal auditing:*

- Supervising the effectiveness of the Company's internal control systems, and in particular, those for financial reporting and the Company's Risks systems, reviewing the appointment and replacement of its managers, and discussing with the accounts auditors or auditing companies the weaknesses of the internal control system, detected during the audit, all of this without compromising its independence. To that end, and where appropriate, recommendations or proposals may be submitted to the Board of Directors in keeping with the corresponding period for follow-up activities.
- Supervising the services and activities of the Internal Audit unit and, in particular, assuring the independence of the unit handling the Internal Audit function, which will report functionally to the Committee's Chairperson and will ensure the effectiveness of the reporting and internal control systems; proposing the selection, appointment, re-election and cessation of the head of the Internal Audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main Risks to which the Company is exposed; receiving regular reports on its activities; and verifying that the senior managers are acting on the findings and recommendations of its reports.

The head of the unit handling the Internal Audit function will present an annual work programme to the Committee, inform it of any incidents arising during its implementation and submit a report on its activities at the end of each year.

In accordance with the Internal Control General Policy of Logista Group, it is assigned to the Internal Control Committee of the Logista Group, which President is the Finance Corporate Director, the mission to drive forward and monitor the Internal Control System (in which Internal Control of Financial Reporting is embedded), and provide and approve the basic guides to its operation, under the supervision of and dependency on the Audit and Control Committee of the Board of Directors.

Among other functions, the Internal Control Committee establishes the responsibility to validate the proposals of the Internal Control Process Owners or Co-ordinators, or of the Corporate Directors or Business Managers, to define, update and develop new processes or sub-processes and Risks and control activities, including all those which are related to the ICFR.

The Finance Corporate Directorate is the body responsible for defining the Systems of Internal Control of Financial Reporting. In this regard, it establishes and defines the policies, guidelines and procedures related to the generation of the said information, in order to guarantee the quality and authenticity of the financial information generated and monitors its compliance.

In addition, the Corporate Internal Audit Directorate has, among others, the following functions, competencies and responsibilities, defined in the Internal Audit Policy, which has been updated this year:

- Evaluating whether the procedures, activities and objectives of Internal Control which constitute the Group's Internal Control System are appropriate, effective and efficient, and whether they assure to the Group, the Audit and Control Committee and the Board of Directors an effective supervision of the Risk and Control Management System, and promoting, directly or through the Internal Control Directorate and/or the Internal Control Committee of the Group, recommendations for their strengthening.
- To supervise the Internal Control System of Financial Reporting (ICFR).

**F.1.2. State whether the following are present, especially if they relate to the creation of financial information:**

- Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

According to Article 6.2 of its Rules, the general purpose of the Board of Directors of the Company is to determine and supervise the Company business and financial objectives, agreeing on the strategy, the plans and the policies by which to achieve them, propelling and supervising the management of the Company and the achievement of the established objectives, and ensuring the existence of adequate management and organisation, under effective supervision of the Board.

Notwithstanding the foregoing, the policy of the Board of Directors is to delegate the ordinary management of the Group to the Executive Bodies and the Management Team, except in those matters that, according to the Law, the By-Laws or the Board's Rules, cannot be delegated.

For this reason, the Appointments and Remunerations Committee has the responsibility, among others, to advise on the proposals for the appointment or severance of senior directors which the Chief Executive proposes to the Board.

The roles of the Senior Management include, among others, to acknowledge, inform and, if it is the case, propose and approve, modifications to the organisational structure of the Group, for the purpose of identifying needs, inefficiencies and areas for improvement in the design of those structures, and the definition of the lines of responsibility and authority, and the appropriate distribution of tasks and roles.

The Corporate Directorate of Human Resources has procedures for updating the organisational structures at corporate level and of each of the Logista Group subsidiaries. These procedures are documented in organisation charts, which show the lines of authority up to a certain organisational level.

The Logista Group has a range of internal regulations governing the allocation and division of responsibilities and the segregation of functions in the different areas of the Group. Also, the Logista Group has job descriptions where main responsibilities of each job positions are described.

Specifically, the Corporate Financial Directorate has organisation charts showing the composition of the Financial Departments of each of the subsidiaries and business units; it also has regulations and procedures containing information about the tasks carried out by the different members of those departments, and information about the responsibilities included in the jobs of the key personnel involved in the preparation of the financial statements.

Dissemination is through the corporate Intranet which is used for internal communications, and through which the Logista Group regulations and procedures, as well as information about the most important changes occurring in the organisational structure, are disseminated. Furthermore, in the Corporate Intranet Directory one may find complete information about each of the employees of the Logista Group, including the post occupied and the reporting lines.

- **Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.**

#### **Code of conduct**

The Logista Group adopted the Code of Conduct issued by its Controlling Shareholder, Imperial Brands PLC, which has been approved by its Board of Directors. There is, in addition, a Code of Conduct which applies specifically to the Logista Group companies in Italy (the 'Código Etico'), approved by the Board of Directors of Logista Italia, S.P.A., within the framework of Legislative Decree 231/01, which governs the regulation of compliance in the matter of criminal Risks, and which describes in detail all the processes of the Logista Group Italian companies, including the preparation of financial information, which are in turn analysed by the governing and control bodies legally required in Italy.

The Logista Group Code of Conduct may be consulted on its intranet. For those employees who do not have a computer or other type of electronic device, a summary leaflet is delivered in which the main characteristics and ethical principles of the Code of Conduct are presented.

All the employees of the Logista Group have to commit themselves to its compliance and as a prove of that, they must sign a 'recognition' document, confirming that they have read the Code of Conduct and will observe its provisions. Logista has versions of this document in English, Spanish, French, Italian, Portuguese and Polish, so that it can be correctly disseminated and understood in all the countries in which it operates.



The Code of Conduct lays down the principles of responsible behaviour which all the employees have to observe, and offers a practical guide to the way in which important ethical and legal matters should be dealt with. As fundamental values, it includes business integrity, responsible commercial practice, trust, respect and responsibility. Each of the general principles is elaborated on in the body of the Code.

In particular, within the principle of responsible commercial practice, there is a section on accuracy in accounting and the keeping of financial records and notifications, of which the main obligations are explained below:

- To report and record all our financial information accurately and objectively.
- To ensure that accurate and complete financial and commercial records are kept.
- To ensure that all the financial reports, notifications, forecasts and analyses for which we are responsible are transmitted honestly and accurately.
- To observe all of the laws, external requirements and procedures of the Company when transferring financial and commercial information.
- To co-operate openly with the Logista Group Compliance Department and with our external auditors.
- To strive to identify any potentially erroneous representation of the accounts, data or records, or any occurrence of potential fraud or deception, and to inform the local, regional or departmental heads of finances, the Director of Accounting, Forecasting and Taxation or the Logista Group Compliance Manager of any worry or doubt about the accuracy of the financial reports.

Any new Incorporation must carry out a training course, which is mandatory, on the Code of Conduct, consisting of the practical explanation of different axioms defined in the Code of Conduct, as well as a final exam. Likewise, it is mandatory to carry out specific training courses for the prevention of Criminal Risks in Spain and the Legislative Decree in Italy, in order to provide the employee with a vision of the main Criminal Risks, as well as of the behaviors expected by them.

The Code of Conduct itself and its complaints procedure lay down a procedure for notifying, recording and investigating possible breaches of the Code of Conduct as well as the principles of the investigations and the disciplinary measures, including dismissal, and the rights of appeal.

#### **General Principles of Conduct of suppliers of the suppliers of Logista Group.**

The Board of Directors of the Logista Group, in its session of April 30<sup>th</sup>, 2019 approved the issuance of the General Principles of Conduct of the suppliers of the Grupo Logista, available on the corporate website, in which they are exposed as commitments, of binding effectiveness for the Logistic Group and of necessary assumption by the Suppliers that contract with the Group.

Within the scope of the ICFR, we emphasize the Principle of Accounting and Financial Records: "The Logista Group Suppliers fulfill their obligations regarding accounting and maintenance of financial records in a precise, honest and objective manner, in accordance with the legislation and regulations accountant".

## Responsible bodies

The body ultimately responsible for these activities is the Audit and Control Committee itself, who in its Regulation states as part of its responsibilities the supervision of compliance with corporate governance rules and the Internal Codes of Conduct of the Company.

In particular, the Audit and Control Committee shall (Article 5 (v) b (I)):

- Supervise compliance with the Internal Codes of Conduct of the Company, particularly with the Internal Securities Market Code of Conduct, the Regulations and the Logista Group's governance rules, as well as putting forward proposals for its improvement.
- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

The Regulations of the Board of Directors assign the Audit and Control Committee the responsibility of establishing and supervising a procedure that allows the Logista Group's employees, confidentially and, if appropriate, anonymously, to report irregularities of potential importance, especially financial and accounting, that can be detected within the Company.

The Logista Group has a Policy and Procedure on Complaints of Malpractice ("Whistleblowing"), which was approved by the Board of Directors on April 26<sup>th</sup>, 2016.

This Policy formalizes the existence of a channel for denouncing behaviour, deeds, actions, omissions or failure to observe the principles, ethical values, laws and internal regulations applicable to the Logista Group, and establishes the general principles which govern the notification of the complaint, as well as the subsequent actions that have to be taken by the Logista Group as a result of such a notification of complaint. The procedure develops the aspects or premises which require the implementation and execution of the Policy. The Procedure develops the aspects or extremes required by the implementation and execution of the Policy, as well as the means of communication of complaints (either verbally, or in writing to the email address [denuncias@logista.es](mailto:denuncias@logista.es) or by ordinary post).

One of the bodies competent to receive complaints and to investigate cases of malpractice is the Audit and Control Committee, when if, in the conduct, deeds, acts, omissions or non-compliance which constitute(s) the Malpractice, the participation or direct or indirect involvement of any Member of the Board, including its Secretary, or of a Company Director, or of the General Manager of a Business, is deduced, immediate report will be given by the Secretary of the Whistleblowing committee or Internal Control Unit, to the President of the Audit and Control Committee, or if implicated, to any member of the Board of that Committee.

Also, the Procedure states that the Directorate of Corporate Internal Auditing will prepare a report on cases that are relevant, of significant importance, of a financial or accounting nature, or serious, which will be forwarded to the Audit and Control Committee, which will, in addition, supervise the general observance of the Logista Group's Policy on Complaints, and of the provisions of this Procedure.



With regard to the confidentiality of complaints, the Policy states as one of its key principles the guarantee of Confidentiality and, as far as the applicable local legislation allows, the anonymity of the complaint.

The identity of the 'whistleblower' will not be disclosed to anyone other than the Bodies Competent to receive and investigate a complaint of Malpractice, in any of the stages of the Investigation Procedure, nor will the said identity be revealed to third parties or to the people being investigated. At the time of receiving a complaint, it is encoded, so that the nominative relationship of the complainant-denounced disappears. Likewise, the minutes of the Complaints Channel Committee, as well as, where appropriate, the documentation provided, are anonymized, once the conservation periods established in the General Data Protection Regulation ("GDPR") have elapsed.

As an exception, and under the applicable regulations, the identity of the 'whistleblower' can be revealed to the Administrative or Legal Authority which is handling the investigation procedure initiated by or resulting from the complaint of Malpractice.

- **Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (internal control system for Financial Information), that covers at least accounting rules, audits, internal control and Risk Management.**

Within the system for annual performance management assessment, personal development is encouraged, and any need for training in the said subjects is detected and then reflected in the Annual Training Plan.

The Human Resources Department, in collaboration with each of the business units, is responsible for defining the Logista Group Annual Training Plan, in which the training needs of the staff, including those involved in the generation and issue of financial information, and the Internal Control and Management of Risks, are identified.

In this way, training courses are given annually to those of the staff who are involved in the preparation and reviewing of financial information. Specifically, external training has been given on the following subjects: Adobe experience manager, process analysis, CESCO certification, CIA certification, fiscal and accounting closure, Internal Control of Financial Reporting, definition and implementation of Risk appetite, speech and influence Internal auditors, segregation of duties, external evaluation of audit quality internal, fundamentals of project management, Risk Management in the area of HR, implementation of the Risk process, negotiation, time management, methodology for the analysis of privacy Risk and data protection, monograph on consolidation of financial statements, Microsoft Office (formulation, macros, pivot tables, database management), power BI, money laundering prevention and Internal audit evaluation technician.

In order to ensure that the regulatory modifications and updating which are required to guarantee the reliability of financial information are understood and applied, the departments involved in the preparation and supervision of financial information keep themselves permanently informed of any such modification, through the subscription to bulletins and newsletters from external sources, as well as by the attendance to conferences and seminars of specific topics and technical updates, such as an evaluation of the control design and its effectiveness, and national Risk Management meeting.

## F.2 Assessment of financial information risks

Report on at least the following:

### F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- Whether the process exists and is documented.

The Logista Group has a specific selection of policies for the process of identifying Risks in the Group, specifically:

The "General Policy on Internal Control" has the purpose of establishing a model or general framework of action of the Logista Group for Control and Management of external or internal Risks of whatever kind, which could affect the Group.

The "Internal Control Procedure" defines and regulates the Control activities that the Logista Group must follow, to avoid or attenuate these internal and external Risks.

Also, the "Risk Management Policy" and the "Risk Management Procedure" describe Risks Management as an interactive and continuous process, incorporated into strategy and planning process. The Policy and the Procedure together define the basic principles and methods to be followed in the Group, and they are reflected in the Logista Group Risks Map.

In the methodology used for Risks Management implemented in the Group, during the phase of identification and prioritization of Risks, those Risks of a financial nature are considered; among these, the Risks of fraud and Risk of error in valuation and financial reporting are considered to be relevant when categorizing the financial Risks.

The Risks Management process is reflected in a Risks Register, which is prepared from assessments of the impact and probability of each Risk, made by those responsible for the processes in all the Logista Group companies, who take into consideration variables both quantitative and qualitative.

Its output is the Logista Group Risks Map: there is a consolidated Risks Map of the Logista Group and also there are maps of specific Risks for each Company and Business unit or Corporate Directorate, linked to key Business and Corporate Directorates' processes.

There is also an inventory of specific Risks of financial information, classified by categories, including error and fraud categories, both external and internal.

- If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

Additionally, on an annual basis, Internal Control Department makes an assessment, by each Business and Company, of the significant accounts, both at quantitative and qualitative level, which are later on linked to the different processes, and which results are gathered in what is denominated as ICFR Scope Matrix, which determine relevant process for ICFR purposes.

Taking the Scope Matrix as a reference, the Group develops the identification and description of each of the transactional Risks in the processes that are relevant for the purposes of the ICFR. This analysis is documented at the ICFR Risks and control matrix.

The Corporate Financial Directorate developed in 2016 an instruction for "ICFR documentation", in which premises to be followed are exposed in order to guarantee an adequate documentation maintenance. More explicitly, it is reflected that the review of these documentation must be a continuous and constantly updated process. Nevertheless, at least annually, at the beginning of the fiscal year, Internal Control Coordinator will do a general review of the documentation in order to guarantee a proper maintenance and communication. In case no update needs to be done to the current documentation, this fact will be communicated both to Internal Control Department.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

The Logista Group consolidation perimeter is determined monthly by the Financial Corporate Directorate, based on the "Annex 23-Consolidation Procedure" of the "Finance Accounting Manual, Consolidation and Reporting of Logista Group and its Subsidiary Companies. This Procedure establishes the system to be followed to define the consolidation perimeter and to ensure that it is correctly updated, so that nothing is omitted from the consolidated financial information.

In the Group consolidated financial statements at the close of the financial year, in accordance with the methods of inclusion applicable in each case, all those companies belonging to the Logista Group, joint businesses and companies associated with it were included in accordance with the content of the IFRS. For that purpose, the Consolidation Department has a detailed checklist of all the companies belonging to the Logista Group, and carries out a specific, regular analysis of the consolidation criteria to be applied.

- **If the process takes into account the effects of other types of Risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**

In its System of Risk Management, the Logista Group considers the following categories of Risk, which may be distinguished according to their nature or their consequences:

- **Environment Risks:** including those events regarding economic matters, such as the consequences in the consumer habits from the economic crisis in the countries where the Group operates. As well, due to the regulated nature of the tobacco market, main business of the Group, the Risks regarding any modification to the tobacco regulations fall into this category.
- **Business Risks:** enclosing in this category any Risk regarding the behaviour of the different agents present in the Businesses of the Group, such the relationship with the tobacco manufacturers, or the entrance of new competitors.
- **Operational Risks:** those related to the regular Group operations, such as process inefficiency, technology problems, non-compliance with quality or environment standards, or those resulting from errors in the execution of the activities.

- **Regulatory Compliance Risks:** resulting from non-compliance with existing regulations affecting the Group, including the internal policies and procedures, as well as those regarding the legal regulations that subject the Group, the penal Risks and the compliance with the both the legal regulations and the internal policies regarding the Internal Control of Financial Reporting.
- **Financial/Fiscal Risks:** considering those Risks regarding the Group exposure to price and other market variables fluctuations, such as the exchange rate, interest rate, oil price, etc. Furthermore, credit Risks resulting from contractual liabilities, as well as fiscal Risks from the Group activities lie into this category.
- **Decision-making Risks:** incorporating in this strand those events that could derive in errors due to an incorrect process of the decision-making data, such as the elaboration of accounting and financial statements.
- **Reputational Risks:** including those events that could negatively affect the Group image and, therefore, its value, resulting from a behaviour under the stakeholders expectative.

The Logista Group has also introduced a Model for the Prevention of Criminal Risks, covering the legal Risks considered in the Manual for the Prevention of Offences, and also a Crime Prevention System in their Italian subsidiaries to comply with Legislative Decree 01/231.

In the process of identifying Risks, according to these categories, the possible effects derived from the materialization of said Risks are taken into account.

- **The governing body within the company that supervises the process.**

The Board of Directors of the Company, has a non-delegable faculty, according to Article 5 of its Regulation, the determination and approval of the policy for control and management of Risks, including tax Risks, as well as supervision of the internal reporting and control systems, in particular those for financial information. The policy for control and management of Risks should identify at least: (i) The different types of financial and non-financial Risk which the Company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational Risks), including under the financial or economic Risks, contingent liabilities and other off-balance-sheet Risks; (ii) the determination of the Risk level the Company considers acceptable; (iii) the measures in place to mitigate the impact of identified Risk events should they occur; and (iv) the internal Control and Reporting Systems to be used to control and manage the above Risks, including contingent liabilities and off-balance sheet Risks.

On the other hand, Article 5 of Audit and Control Committee Regulation assigns to this Committee, the latest responsibility of the supervision of the management and control of Risks:

- Supervising the effectiveness of the Company's Risk Systems, reviewing the appointment and replacement of the managers, and also, when appropriate, submitting recommendations or proposals to the Board of Directors, and the corresponding period for their following-up.

- Supervising the Control and Risks Management Unit, which will have, among other duties, that of ensuring that the Risk control and management systems are functioning correctly, and in particular, that the major Risks to which the Company is exposed are correctly identified, managed and quantified; that of actively participating in the preparation of Risk strategies and in key decisions about their management; and that of ensuring that the Risk control and management systems are mitigating Risks effectively within the framework of the policy established by the Board of Directors.

The mentioned Control and Risk Management Unit is represented by the Logista Group Internal Control Committee, which has the functions stated in the preceding section F.2.

Likewise, and regarding this issue, the Internal Audit Corporate Directorate has the functions set up in the preceding section F.2.

### F.3 Control activities

**Report on whether the company has at least the following, describing their main characteristics:**

- F.3.1. Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

#### **Procedures for review and authorization of financial information:**

The regulated financial information to be sent to the markets complies with the provisions of Royal Decree 1362/2007 of 19<sup>th</sup> October, and Circular 3/2018 of June 26<sup>th</sup>, of the CNMV (Comisión Nacional del Mercado de Valores: National Securities Market Commission).

The Logista Group has an "Accounting Policy Manual", issued by the Corporate Finance Directorate, which defines a series of manual and automatic checks that are used to verify financial information, prevent fraud, the Risk of error, and ensure compliance with current legislation and the generally accepted accounting principles. There is also a formal procedure for accounts closure in which the financial information is prepared by each economic/financial manager of each subsidiary company or business, which is verified by the Consolidation and Reporting Department, and approved, before publication, by the Logista Group Finance Corporate Directorate. It is also checked by the external auditors. Finally, it is analysed by the Audit and Control Committee, which reports to the Board of Directors, the latter being the body which finally approves it and agrees to its publication and dissemination to the markets, as explained in section F.1.1.

In addition, every quarter, the Financial Directors and Controllers of the Logista Group Businesses and/or Companies issue a certificate in which they declare that the Logista Group General Policy on Internal Control has been complied with as regards reconciliation of key accounts and controls. Every year, they also issue a representation letter in which they certify:



- That they were themselves responsible for preparing the financial statements reported at the close of the financial year, and for any other breakdown produced.
- That the financial statements were obtained from the Company's accounting records, which reflect all its transactions and its assets and liabilities.
- That the Company's accounting records correspond to what was produced by the consolidation tool in accordance with the local accounting standards plus the adjustments necessary to align them with the IFRS.
- That the concepts included in each account correspond to those in the Group's Accounting Plan and Manual.
- That the estimates and important decisions were made on the basis of the latest information available in the business and are sufficiently well documented and justified.
- That responsibility is accepted for the reliability of the information contained in the consolidated financial statements of the Company or subgroup (where applicable) at the close of the financial year.

Twice a year, Senior Management and Financial Managers sign a certification in which they ratify the following points, among others, within their scope of responsibility:

- It has been evaluated the effectiveness of the Internal Control System their area of responsibility and are satisfied that it has been operating effectively throughout the period defined above.
- All controls defined in each ICFR Controls Matrix within their area of responsibility are operating effectively with any exceptions documented within each matrix submitted.
- Any known significant control weaknesses and/or breakdowns in control have been reported to the direct people manager and to the relevant Authorized Bodies.
- All transactions and events, as well as any material post balance sheet events, have been recorded appropriately, in line with financial and non-financial reporting requirements, to give an accurate view of the state of affairs within their area of responsibility.

#### **Descriptive documentation of activity flows and controls:**

Furthermore, and with regard to the documentation describing the flows of activities and controls of the different types of transaction which can materially affect the financial statements, the Logista Group has prepared the required documentation which describes the control activities which cover all the purposes of controlling financial reporting for the Logista Group, by means of its corresponding ICFR Risk and control matrix, narratives and flowcharts ("ICFR Documentation"), in accordance with the recommendations made by the CNMV, in its Internal Control Guide on Financial Information in Listed entities, issued in 2010.

The aforementioned ICFR documentation is configured based on control objectives for each Risk, whose achievement must allow to achieve reliability and transparency in the process of preparing the Financial Information, which are intrinsically linked to the defined Control

activities resulted to be efficient in all its terms in each of the material processes for the ICFR. In this context, the ICFR F Documentation contains information about, among others matters, the Control activity, the Risk to be mitigated, the frequency and the person responsible for its implementation, its level of automation, as well as the definition of critical controls and Fraud controls aimed at ensuring the proper registration, valuation, presentation and breakdown of transactions in non-financial information.

The ICFR Documentation has been developed both for the material corporate processes (general accounting, consolidation, fiscal management, Treasury, Human Resources and purchases of non-inventory assets, mainly), as well as for those relevant Business / Country operational processes for the ICFR, such as purchases, sales, stock and logistics services.

Said ICFR Documentation is periodically updated, both by the Internal Control Department, as well as by those responsible for said documentation, through their self-assessment, as established in the Instruction on the "Internal Information Control Documentation Financial", mentioned in section F.2.1, which allows confirming the validity and validity of the ICFR Documentation.

#### **Specific review of relevant judgments, estimates, assessments and projections:**

With regard to the specific review of the relevant opinions, estimates, valuations and projections, the Logista Group, as part of their Accounting Manual, has an specific annex about financial Provisions which describes the manner of dealing with each of the provisions which the companies in the Logista Group may make, and which is designed to reduce the risk of error in processes related to specific transactions.

Additionally, the Corporate Financial Director presents to the Audit and Control Committee, in order to facilitate said Body the review of regulated financial information, a detail with the main estimates and valuations made in the period under supervision, as well as the main ones hypothesis or methodology used for these estimates.

#### **F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.**

The Logista Group uses information systems to keep an adequate record and control of its operations, so their correct functioning is crucial for the Logista Group.

The Management of Information Systems within the Management of Corporate Resources is responsible for the Logista Group information and telecommunications systems. Among its functions is that of providing the Information Systems Department with a set of policies, procedures and technical and organizational means to ensure the completeness, availability, confidentiality and continuity of the corporate information, including the financial information.

The regulations ,available to all the employees through the Logista Group intranet and relating to the Internal Control of the Information Systems, is mainly formulated by the following Internal Rules, some of them have been updated during the current year, and consist of:

- The General Policy on Internal Control
- The strategic framework of the Information Systems
- The General Security Policy for the Information
- The Security Procedure for the Information
- The Technical Instruction for Roles Redesign.

The General Policy on Internal Control establishes the guidelines and directives relating to the management of the Risks associated with the management and use of Information systems and, specifically, states that the Group's Information Systems must be controlled in order to guarantee their proper functioning and ensure control of the various types of transactions.

The General Security Policy for the Information formulates a reference framework and a set of guidelines and general principles that must be followed by all the Organization, to guarantee the Security of the Group's Information and systems and other non-technological assets that it manages, as well as to determine the bodies responsible for it.

General Security Information Procedure, which develops, the mentioned Policy, as part as their provisions, states, among other, the following premises:

- **MANAGEMENT AND CONTROL OF ACCESS TO THE LOGISTA GROUP INFORMATION SYSTEMS**, whose general aim of the procedures and measures provided for in this Provision 6 is to anticipate and, as far as possible, prevent unauthorized access to the Logista Group Information, and to:
  - i. Establish a procedure for granting Users rights of logical access to the Logista Group Information Systems, and for modifying and revoking them when the User changes job or ceases to provide services to the Logista Group, respectively.
  - ii. Define the identification requirements of an authorized User to access the Information Systems.
  - iii. Establish specific control measures for access to Group Network Services and source codes.
  - iv. Establish specific control measures for access to Information Process Equipment.
- **ACQUISITION, DEVELOPMENT AND MAINTENANCE OF INFORMATION SYSTEMS**, which establishes a process to ensure that security is built into the lifecycle of Information Systems, and ensures that Information Security is taken into account from the beginning of the process in which an Information System is acquired (or developed) until it is implemented, maintained and eliminated. Explicitly, in this section, it is described the control procedure for changes to Business Applications within Logista Group, and the management on changes in standard market software packages.



- **SECURITY IN OPERATIONS**, in order to maintain and manage the processing of Information and Information Systems in the Logista Group on a continuous and secure basis, and to guarantee that the technological services provided by the Corporate Directorate for Information Systems are being provided normally, the operational procedures necessary for this purpose (such as those relating to backups and recovery of Systems, monitoring, task planning, installation and configuration of Systems, etc.) are documented by this Department. Additionally, in this Procedure there is a specific section concerning Communications Security Management (Network Infrastructure Security Management, Network Device Security, Firewall Policy, and Wireless Networks).
- **CONTINUITY AND REDUNDANCY IN INFORMATION SECURITY**, which describes the requirements to ensure the continuity of the Systems during any major event or disaster that may occur, including the continuity of Information Security in said Systems; the availability of the Technology Infrastructure in terms of redundancy, and the continuity of the functions of the different businesses of the Logista Group, including the Information Security managed by them.

Regarding Segregation of Duties, the Logista Group has designed and implemented a matrix for the segregation of functions, which segments the privileges of the users according to the minimum resources and information that are indispensable for the correct performance of the tasks associated with the workstations in the users' areas. In addition, and to complement the matrix for the segregation of functions, a set of measures and/or activities complementary to the segmentation of privileges has been established, such as the inclusion in the model of a group of users with greater privileges, with the aim, after an express request and while keeping track of the operations carried out, of supporting the operations of the corresponding users' area.

Finally, the Technical Instruction for Roles Redesign defines the specific guidelines that should be taken into account when designing the roles, their classification, their nomenclature and the structure they should have, existing a classification and nomenclature specifically for those "SOD Roles", which are those containing critical transactions managed by the Segregation of Duties Model.

**F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.**

For the current financial year, none of the processes resulting in the collection of financial information with a material impact on the individual or consolidated financial statements of the Logista Group have been externalised, so the Logista Group has not required reports about the effectiveness of the controls established by entities outside the Logista Group, other than the requirements of the policies for contracting third parties which the Logista Group uses in its Purchasing Policy.

However, as the result of the valuations is not significant, the Logista Group does repeatedly use reports of independent experts for the valuation of certain commitments to employees' benefits, and for the valuations of certain properties.

The Finance Corporate Directorate monitors the work of those experts in order to check: competence, training, accreditation and independence, the validity of the data and methods used, and the reasonableness of the hypotheses used, if applicable.

#### **F.4 Information and communication**

State whether the company has at least the following, describing their main characteristics:

- F.4.1.** A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The functions of the Management of Consolidation and Reporting, belonging to the Finance Corporate Directorate, are to define and communicate the accounting policies and keep them up-to-date, and it also has to answer enquiries about the accounting standards and their interpretation.

The Management of Consolidation and Reporting keeps abreast of changes in the accounting standards by means of communications with the external advisors and through the training which they themselves receive. These changes have to be analysed, and when they are applicable, the Accounting Policies defined in the accounting manual have to be updated.

The issue of all types of accounting standards is centralised in the Finance Corporate Directorate through their Management of Consolidation and Reporting department, which will be responsible for following and, if appropriate, applying, the modifications published in the regulations.

The Logista Group has a Manual of Accounting Policies, issued on October 9<sup>th</sup> 2015 and last update on 2017, with the purpose of establishing and describing the accounting policies and the Accounts Plan to which the financial information of all the Logista Group companies, the management information and the formation and formulation of the Logista Group Individual and Consolidated Annual Accounts must mandatorily be submitted.

In this way, it is intended to ensure that the content of the financial information and of the Individual and Consolidated Annual Accounts of the Logista Group are homogenous, consistent, accurate and harmonised, and that they are prepared on time.

The Manual contains and explains the key Good practices of Internal Financial Control of the Group; the rules of registration and valuation and accounting of the most significant elements of the assets and liabilities of the Group's Accounting; the rules for preparation of the Financial information, and how they should be applied to the operations carried out by the Group; the consolidation and reporting rules, and in particular, contain different annexes for each of the headings of the financial statements and other areas of special relevance, such as the treatment of long-term incentive plans and recording of provisions, for example.

**F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.**

The Logista Group main ERP tool is the 'SAP', which is used to record, at individual level, the accounting transactions from which financial information is obtained for the subsidiaries of the Logista Group. All the companies which constitute the Logista Group work in accordance with the same plan of accounts, which is homogenous and common to the whole Logista Group, contained in the Accounting Manual.

The consolidated financial statements are prepared centrally from the financial statements which are reported in the established format by each of the Logista Group subsidiaries. To do that, the Logista Group has HFM consolidation software, which the Logista Group subsidiaries and companies use for reporting, and which enables the data to be aggregated, homogenised and analysed at individual and consolidated levels. In the consolidation process, there are checks to ensure the correctness of the consolidated financial statements.

In addition, the Consolidation and Reporting Department, as part of the Accounting Manual, has developed a series of annexes—such as the procedures for consolidation, for inter-company transactions and for reporting, which are applicable to all the companies which constitute the Logista Group—which establish the mechanisms for collecting and preparing financial information in homogenous formats, the general rules, rules for the insertion of entries, for the approval of manual entries, opinions and estimates (including valuations and relevant projections) and a system for communicating financial information to the senior management and ensuring the homogeneity of the process of drawing up financial information.

**F.5 Supervision of system performance**

Describe at least the following:

- F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.**

Through the Internal Audit Corporate Directorate, Body entrusted with the Supervision of the Internal Control System of Financial Reporting, the Audit and Control Committee has carried out the following supervision activities during the fiscal year:

- Approval of the audit activities related to ICFR to be executed according to Annual Internal Audit Plan for 2019, which includes the review of the key controls of the Corporate Consolidation and General Accounting processes, as well as the operational processes of Purchases-accounts payable of the Tobacco business in Spain, France and Italy; SCIF controls of those other operational processes that are subject to audit will also be included in the Annual Internal Audit Plans. These annual activities have been considered sufficient

based on the premises established for the supervision of the ICFR within the 2019-2021 Strategic Audit Plan.

- Quarterly monitoring of the results of the ICFR reviews performed by the Internal Audit Corporate Directorate, including the evaluation of the impact of the weaknesses detected in the financial information, as well as the progress on the action plan implementation resulted during the audit reports.
- Review of the information about the ICFR which is included in the Annual Report on Corporate Governance.
- Review of the report of the External Auditor's opinion on this subject.

The Logista Group has an Internal Auditing Corporate Department with functional dependence on the Chairman of the Audit and Control Committee, composed by 8 employees, and a budget item for outsourcing Audit services in France.

In its Internal Audit Policy, approved by the Board of Directors through its Audit and Control Committee on 2015, and updated in 2019, the purpose, authority and responsibility of the activity of Internal Auditing, and its position within the organisation are defined. Within the responsibilities of the said function, the following competencies (among others), are established:

- To evaluate whether the processes, activities and aims of Internal Control which constitute the Logista Group System of Internal Control are adequate, effective and efficient, and guarantee the Group, the Audit and Control Committee, and the Board of Directors of the Logista Group the effective supervision of the system of management and control of Risks, if necessary making recommendations, either directly or through the Logista Group Management of Internal Control, for its strengthening;
- Supervision of the System of Internal control of Financial Reporting (ICFR).

With regard to planning, communication with the Audit and Control Committee, and implementation of corrective measures, the following responsibilities are defined in the Internal Audit Policy:

- In an open dialogue with the Management and the Audit and Control Committee, the drawing-up of an Annual Plan for Internal Auditing based on an appropriate method of Risk management, and, if appropriate, on the needs expressed by the Businesses or Corporate Directorates. The work involved in the Annual Plan must be mainly orientated towards the Group's important Risks. The Plan must envisage work for special, *ad hoc* requirements during the year. The Annual Plan, and any updating of the Plan, will be sent to the Audit and Control Committee for its approval;
- The performance of the work described in the approved Auditing Plan, as well as any special work or project, requested by the Management, the Audit and Control Committee, or the Board of Directors;
- the preparation and despatch of regular (at least quarterly) summary reports to the Audit and Control Committee, on the results of the activity of Internal Auditing in fulfilment of the Annual Plan for Internal Auditing, or of other actions not included in the Plan, and on the monitoring by the Businesses and the Corporate Directorates or the Senior Management of the recommendations made;
- collaboration with the Businesses and/or Corporate Directorates in the definition of the plans of action to comply with their recommendations, and supervision of their correct starting-up and implementation;

- (a) According to its Internal Audit Plan, approved by the Audit and Control Committee, activities related to ICFR supervision have been carried out. More specifically, a Strategic Plan 2019-2021 has been prepared in which the rotation criteria of the CNMV Guide of June 2010 are adopted, which allows defining the scope of the ICFR evaluation by carrying out an evaluation that covers the entire of the ICFR in each fiscal year or throughout several fiscal years, in which case for each of them, rotation policies of areas of the financial statements or locations may be established for periods not exceeding two or three years, depending on various factors such as whether it has already been reviewed, process changes, etc. ...

Subject to review in the current fiscal year have been most of the tobacco purchase processes in countries with significant impact on the financial statements, sales process for the integration of the Integra2 business, as well as the corporate general accounting and consolidation processes. Likewise, in the first quarter of the year, the conclusions about the SCIIF of tobacco sales in Italy and the corporate process for the purchase of non-inventory assets, initiated in the previous year, were issued. As for the audits of an operational nature that have covered SCIIF controls, in the year the stock and sales reviews of vending machines in Portugal were carried out, as well as the regional warehouses of Anagni, Crotone and Bari in Italy.

As part of ICFR evaluation process, which conclusions are included in audit reports for each business and process audited, it is verified the operative efficiency of the critical controls described at the existing ICFR documentation, this means: evaluate if there are significant internal control deficiencies related to financial information; if so, the financial impact is measured, and corrective measures are set up in order to solve them resulting in action plans. Deficiencies are classified in the audit reports according to criticality, a responsible is appointed and they are monitored until its final solution.

During the current fiscal year, no internal control deficiencies have been detected with significant weaknesses on financial statements in those processes audited, although it has been communicated to the Audit and Control Committee those adjustments or reclassifications, not significant, raised as a result of the audit reviews.

- F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.**

The Audit and Control Committee meets at least quarterly with the aim of obtaining and analysing the necessary information in order to fulfil the responsibilities entrusted to it by the Board of Directors. There is an annual activities calendar in order to facilitate the proper planning of functions that the Audit and Control Committee is assigned, and execute the periodical activities, notwithstanding that during the year extraordinary subjects could come to light or the planned ones could be subject to changes. This calendar has been prepared on the basis of the provisions of the Capital Companies Law, the Good Governance recommendations of the Listed Companies of the CNMV and the Technical Guide on Audit Commissions of public interest entities and the Regulations of the Board of Directors. In this document, it is determined those sessions attended by the Corporate Internal Audit Director, the External Auditors, and fiscal experts or other experts when this is considered necessary.



In this regard:

- The external auditors are present at, and report on, all the sessions of the Committee in which regulated financial information and accounts formulations are analysed. In those sessions, the external auditors report to the Committee on important Auditing and Accounting matters, and on the recommendations identified as those which would enable the Internal Control System to improve. They also present the planning of the Accounts Auditing, their methodology, legislative innovations, and any other information considered to be useful.
- Corporate Internal Audit Director has full access to the Audit Committee, attending its sessions as a guest. Issues, among others, quarterly information, both about detected significant Internal Control weaknesses, including agreed actions plans arising out of the audits with a view to correcting the detected weaknesses in Internal Control, and also, about the state and evolution of these action plans until their proper implementation.

Additionally, the Chairman of the Audit and Control Committee issues to the Board of Directors a summary report of the matters dealt with in these committees, which summarize the significant weaknesses in Internal Control identified during the review processes, the analysis of the annual accounts, as well as any other financial information to be disclosed, the status of action plans, or any other subjects that have been entrusted to the Audit and Control Committee.

Lastly, both the Corporate Finance Department and the Corporate Director of Internal Audit, hold private meetings with the Chairman of the Audit and Control Committee, to discuss the scope of the sessions, the work, its conclusions, the information to present in the Audit and Control Committee, as well as any other information deemed appropriate.

#### **F.6 Other relevant information**

No other relevant information regarding the ICFR implemented in the Group has been revealed, which has not been broken down into the sections corresponding to this epigraph F.

#### **F.7 External auditor's report**

Report from:

**F.5.3. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.**

The Logista Group has submitted for review by the external auditors the information about the ICFR that was sent to the markets for fiscal year 2019.

The scope of the auditors' review procedures was in accordance with Circular E14/2013 of 19th July, 2013, of the Instituto de Censores Jurados de Cuentas de España, in which the 'Guide to Action and Model Auditor's Report relating to the System of Internal Control of Financial Reporting (ICFR) in quoted entities', which is attached as an annex, was published.

**G EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies ☒ Explanation ☐

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:
- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:
- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies ☒ Complies partially ☐ Explanation ☐

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☒ Complies partially ☐ Explanation ☐

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☒ Complies partially ☐ Explanation ☐

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:
- a) Report regarding the auditor's independence.
  - b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.
  - c) Report by the audit committee regarding related-party transactions
  - d) Report on the corporate social responsibility policy.

Complies ☒ Complies partially ☐ Explanation ☐

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies ☐ Explanation ☒

The Board of Directors has not considered it necessary so far, due to the current floating capital (37.36%).

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies ☒ Complies partially ☐ Explanation ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☐ Complies partially ☐ Explanation ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.



c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies partially ☐ Explanation ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies ☒ Explanation ☐

14. That the Board of Directors approves a selection policy for directors that:

a) is concrete and verifiable.

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies ☒ Complies partially ☐ Explanation ☐

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies ☒ Explanation ☐

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies ☒ Explanation ☐

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) The shares and options they own.

Complies ☒ Complies partially ☐ Explanation ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies ☒ Explanation ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies ☒ Complies partially ☐ Explanation ☐

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies ☒ Complies partially ☐ Explanation ☐

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies ☒ Complies partially ☐ Explanation ☐

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies ☒ Complies partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies ☒ Explanation ☐ Not Applicable ☐

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies ☒ Complies partially ☐ Explanation ☐

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☒ Complies partially ☐ Explanation ☐

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies ☒ Complies partially ☐ Explanation ☐

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies ☒ Explanation ☐

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity of membership and competence of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explanation ☐

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies ☐ Complies Partially ☐ Explanation ☐ Not Applicable ☒

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies ☒ Complies partially ☐ Explanation ☐

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies ☒ Complies partially ☐ Explanation ☐

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:



- a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies ☒ Complies partially ☐ Explanation ☐

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Complies partially ☐ Explanation ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

45. That the risk management and control policy identify, as a minimum:

- a) The various types of financial and non-financial risks (among those operational,

technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

- b) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimise identified risks in the event they transpire.
- d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies ☒ Complies partially ☐ Explanation ☐

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies ☒ Complies partially ☐ Explanation ☐

47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies ☒ Complies partially ☐ Explanation ☐

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies ☐ Explanation ☐ Not Applicable ☒

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☒ Complies partially ☐ Explanation ☐



50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies ☒ Complies partially ☐ Explanation ☐

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies ☒ Complies partially ☐ Explanation ☐

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies ☒ Complies partially ☐ Explanation ☐

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.
- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies ☒ Complies partially ☐ Explanation ☐

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Complies partially ☐ Explanation ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☒ Explanation ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies ☒ Complies partially ☐ Explanation ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The foregoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

## **H** FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010

### **Note to Section C.1.32**

The amount of non-audit work exceeds 70 per cent in the Company since, as a Holding entity, it supports the verification services of the Consolidated Group, such as the limited review of the Interim Condensed Consolidated Financial Statements for the period ended 31 March 2019 of Compañía de Distribución Integral Logista Holdings, S.A. and Subsidiaries, prepared according to IAS34 "Interim Financial Information", the auditing of the Internal Control System of the Financial Information, and the verification services of the Statement of non-financial Information of the Company.

### **Note to Section C.1.39**

On 21<sup>st</sup> March, 2017, the General Shareholders' Meeting agreed to appoint Deloitte S.L. and PricewaterhouseCoopers Auditores, S.L. as joint auditors of the Individual and Consolidated Annual Accounts of the Company, for the fiscal years ending September 30<sup>th</sup>, 2017, 2018 and 2019.

In consequence, Deloitte, S.L. has been auditing for six consecutive financial years, and PricewaterhouseCoopers Auditores, S.L. for three. However, please note that Deloitte, S.L. has been the auditor of the Group's accounts for 20 years, if the previous Group is considered, existing prior to the Company's 2014 IPO.

The percentage that represents the number of years that the Company has been audited by Deloitte, S.L., over the number of years in which the annual accounts have been audited is 100%, and by PricewaterhouseCoopers Auditores, S.L. is 50%. For the Group's accounts, the percentages are 100% for Deloitte, S.L. and 15 % for PricewaterhouseCoopers Auditores, S.L.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 29<sup>th</sup> October 2019.

State whether any directors voted against or abstained from voting on this report.

Yes ☐

No ☒

**COMPAÑÍA DE DISTRIBUCIÓN  
INTEGRAL LOGISTA HOLDINGS, S.A.**

Auditors' report on the "Information relating to the System of Internal Control over Financial Reporting (ICFR)" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30<sup>th</sup>, 2019



*This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

***Auditors' report on the "Information relating to the System of Internal Control over Financial Reporting (ICFR)" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30<sup>th</sup>, 2019***

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

In accordance with the request of the Board of Directors of Compañía de Distribución Integral Logista Holdings, S.A. ("the Entity") and our engagement letter dated April 16<sup>th</sup>, 2019, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Compañía de Distribución Integral Logista Holdings, S.A. for the fiscal year ended on September 30<sup>th</sup>, 2019, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

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

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

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

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies*, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for the fiscal year ended on September 30<sup>th</sup>, 2019 described in the accompanying information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Deloitte, S.L. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, España  
Tel.: +34 915 145 000 Fax: +34 915 145 180, [www.deloitte.es](http://www.deloitte.es)  
Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª  
Inscrita en el R.O.A.C. con el número S0692 - C.I.F.: B-79104469.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España  
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, [www.pwc.es](http://www.pwc.es)  
Registro Mercantil de Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª  
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79031290

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the consolidated Spanish audit law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the ICFR system - disclosure information included in the Directors' report - and assessment of whether this information addresses all the information required considering the minimum content described in section F, relating to the description of the ICFR system, of the ACGR form, as established in CNMV Circular 7/2015 of December 22<sup>nd</sup>, 2015 and in CNMV Circular 2/2018 of June 12<sup>th</sup>, 2018.
2. Inquiries of personnel in charge of preparing the information detailed in point 1 above for the purpose of achieving: (i) familiarisation with the preparation process; (ii) obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework; (iii) obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory documents supporting the information detailed in point 1 above, including documents directly made available to those responsible for describing the ICFR systems. In this respect, the aforementioned documentation includes reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of article 540 of Corporate Enterprises Act and by CNMV Circular 5/2013, amended by CNMV Circular 7/2015 of December 22<sup>nd</sup>, 2015, and amended by CNMV Circular 2/2018 of June 12<sup>th</sup>, 2018, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

Deloitte, S.L.

PricewaterhouseCoopers Auditores, S.L.

[Original in Spanish signed by  
Victoria López Téllez (nº ROAC 21,238)]

[Original in Spanish signed by  
Raúl Llorente Adrián (nº ROAC 20,613)]

4 November 2019



**Compañía de Distribución Integral  
Logista Holdings, S.A.**

Independent Auditors' Report,  
Financial Statements and Directors' Report  
for the year ended 30 September 2019

*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 in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.*

## *Independent Auditors' Report on Financial Statements*

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

### *Report on the Financial Statements*

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#### *Opinion*

We have audited the financial statements of Compañía de Distribución Integral Logista Holdings, S.A. (the Company), which comprise the balance sheet as at 30 September 2019, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended ("2019").

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 30 September 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

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#### *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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the 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.

## Key Audit Matters

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

Key Audit Matters	How the Matters Were Addressed in the Audit
<p><i>Valuation of non-current investments in Group companies</i></p> <p>At 30 September 2019, the Company was the sole shareholder of Compañía de Distribución Integral Logista, S.A.U., as indicated in Note 5.1 to the financial statements.</p> <p>This investment represents the principal item in the Company's financial statements, accounting for approximately 94% of the total assets.</p> <p>As indicated in Note 4.1 to the financial statements, the Company assesses the existence of possible impairment losses by comparing carrying amount with recoverable amount, which is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment. The measurement of the aforementioned investment requires the use of significant judgements and estimates by management, both in determining the valuation method and in considering the key assumptions established for each method chosen.</p> <p>The materiality of the investment owned, which amounted to EUR 975 million at the reporting date, led us to determine the situation described as a key matter in our audit.</p> <p>As described in Note 4.1 to the financial statements, management concluded that the aforementioned investment is not impaired.</p>	<p>Our audit procedures included, among others, a review of the process implemented by the Company to assess the potential impairment of the investment in Compañía de Distribución Integral Logista, S.A.U.</p> <p>We reviewed the cash flow projections of the principal businesses integrated in the investment and its subsidiaries, 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. Additionally, we have made a contrast with the trading value at closing.</p> <p>Also, we evaluated the methodologies used by the Company, concluding that management's approach is consistent and is supported by the available evidence.</p> <p>As a result of our procedures, we consider that management's conclusions regarding the absence of indications of impairment are adequate and are supported by the available evidence.</p> <p>Lastly, we ascertained that the disclosures included in Note 5.1 to the accompanying financial statements in connection with this matter are in conformity with the applicable accounting regulations.</p>



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### *Other Information: Directors' Report*

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

Our audit opinion on the annual accounts does not cover the directors' report. Our responsibility regarding the information contained in the 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 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 and if not, we are required to report that fact.
- b) A general level applicable to the rest of the information included in the directors' report that consists of evaluating and reporting on the consistency between that information and the annual accounts as a result of our knowledge of the Entity 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 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 directors' report and that the rest of the information contained in the directors' report is consistent with that contained in the annual accounts for the 2019 financial year, and its content and presentation are in accordance with the applicable regulations.

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### *Responsibilities of the Directors and of the Audit and Control Committee for the Financial Statements*

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

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

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### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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.

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 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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity'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 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 audit and control committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.



Compañía de Distribución Integral Logista Holdings, S.A.

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*

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#### *Additional Report to the Company's Audit and Control Committee*

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and control committee dated on 4 November 2019.

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#### *Engagement Period*

The Annual General Meeting held on 21 March 2017 appointed us as joint auditors 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 Company's incorporation.

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#### *Services Provided*

The services other than financial audit services provided to the audited entity were those described in Note 8.3 to the accompanying financial statements for 2019.

In relation to non audit services provided to subsidiaries, see the audit report dated on 4 November 2019 over consolidated financial statements of Compañía de Distribución Integral Logista Holdings, S.A. and subsidiaries.

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Deloitte, S.L. (S0692)

PricewaterhouseCoopers Auditores, S.L. (S0242)

[Original in Spanish signed by  
Victoria López Téllez (nº ROAC 21,238)]

[Original in Spanish signed by  
Raúl Llorente Adrián (nº ROAC 20,613)]

4 November 2019

# **Compañía de Distribución Integral Logista Holdings, S.A.**

Financial Statements for the  
year ended 30 September 2019  
and Director's 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 14). In the event of a discrepancy, the Spanish-language version prevails.*

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

## COMPañÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

### BALANCE SHEET AT 30 SEPTEMBER 2019 AND 2018 (Thousands of Euros)

ASSETS	Notes	30-09-2019	30-09-2018	EQUITY AND LIABILITIES	Notes	30-09-2019	30-09-2018
<b>NON-CURRENT ASSETS:</b>		<b>974,689</b>	<b>973,904</b>	<b>EQUITY:</b>	<b>Note 6</b>	<b>1,036,499</b>	<b>1,023,612</b>
Non-current investments in Group companies and associates- Equity instruments	<b>Note 5.1</b>	<b>974,689</b> 974,689	<b>973,904</b> 973,904	<b>SHAREHOLDERS' EQUITY:</b>		<b>1,036,499</b>	<b>1,023,612</b>
				Share capital		26,550	26,550
				Share premium		867,808	867,808
				Reserves		29,381	20,330
				Legal reserves		5,310	5,310
				Other reserves		24,071	15,020
				Other contributions of the shareholders		6,052	5,266
				Interim dividend		(48,938)	(46,314)
				Treasury shares		(9,893)	(8,349)
				Profit for the period		165,539	158,321
				<b>NON - CURRENT LIABILITIES:</b>		-	4,460
				Deferred tax liabilities	<b>Note 7.5</b>	-	4,460
<b>CURRENT ASSETS:</b>		<b>66,784</b>	<b>78,465</b>	<b>CURRENT LIABILITIES:</b>		<b>(4,974)</b>	<b>24,297</b>
Current tax receivables	<b>Note 7</b>	12,622	78,403	Debts with Group Companies and Associates	<b>Note 9</b>	-	19,642
Current investments in Group companies and associates	<b>Note 9</b>	54,138	-	Trade and other payables-		4,655	4,655
Cash and cash equivalents-		24	62	Payable to suppliers		814	734
Cash		24	62	Staff		-	58
				Other debts with public authorities	<b>Note 7.1</b>	4,160	3,863
<b>TOTAL ASSETS</b>		<b>1,041,473</b>	<b>1,052,369</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,041,473</b>	<b>1,052,369</b>

The accompanying Notes 1 to 14 and Appendix I are an integral part of the balance sheet at 30 September 2019.



Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2019 AND 2018**  
(Thousands of Euros)

	Notes	2019	2018
<b>Revenue:</b>	<b>Notes 5.1 &amp; 8.1</b>	<b>162,398</b>	<b>150,893</b>
Income from investments in equity instruments		162,398	150,893
<b>Staff costs:</b>		<b>(1,010)</b>	<b>(881)</b>
Wages, salaries and similar expenses	<b>Note 8.2</b>	(1,010)	(881)
<b>Other Operating expenses</b>		<b>(694)</b>	<b>(734)</b>
<b>PROFIT FROM OPERATIONS</b>		<b>160,694</b>	<b>149,278</b>
<b>Finance costs:</b>		<b>(116)</b>	<b>(614)</b>
On debts to Group companies and associates	<b>Note 9</b>	(116)	(614)
<b>Finance income:</b>		<b>50</b>	<b>-</b>
On investments to Group companies and associates		46	-
On investments to Other		4	-
<b>FINANCIAL LOSS</b>		<b>(66)</b>	<b>(614)</b>
<b>PROFIT BEFORE TAX</b>		<b>160,628</b>	<b>148,664</b>
Income tax	<b>Notes 7.3 &amp; 7.4</b>	4,911	9,657
<b>PROFIT FOR THE YEAR</b>		<b>165,539</b>	<b>158,321</b>

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2019 income statement.

*Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.*

## **COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.**

### **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019 AND 2018**

#### **A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**

(Thousands of Euros)

	<b>2019</b>	<b>2018</b>
<b>PROFIT PER INCOME STATEMENT</b>	<b>165,539</b>	<b>158,321</b>
<b>TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY</b>	<b>-</b>	<b>-</b>
<b>TOTAL TRANSFERS TO PROFIT OR LOSS</b>	<b>-</b>	<b>-</b>
<b>TOTAL INGRESOS Y GASTOS RECONOCIDOS</b>	<b>165,539</b>	<b>158,321</b>

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2019 statement of recognised income and expense.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

## COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2019 AND 2018

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

(Thousands of Euros)

	Share Capital	Share Premium	Reserves	Other Contributions of the Shareholders	Interim Dividend	Treasury Shares	Profit / (Loss) for the Period	Total
<b>BALANCE AT 30-09-2017</b>	<b>26,550</b>	<b>867,808</b>	<b>11,293</b>	<b>5,415</b>	<b>(39,708)</b>	<b>(7,716)</b>	<b>149,102</b>	<b>1,012,744</b>
<b>Total recognised income and expense</b>	-	-	-	-	-	-	158,321	158,321
<b>Transactions with shareholders:</b>								
Equity-instrument-based transactions (Notes 6.5 and 6.7)	-	-	(1,107)	(149)	-	2,733	-	1,477
Operations with treasury shares	-	-	-	-	-	(3,366)	-	(3,366)
Distribution of profit 2017	-	-	10,144	-	39,708	-	(149,102)	(99,250)
Dividends	-	-	-	-	(46,314)	-	-	(46,314)
<b>BALANCE AT 30-09-2018</b>	<b>26,550</b>	<b>867,808</b>	<b>20,330</b>	<b>5,266</b>	<b>(46,314)</b>	<b>(8,349)</b>	<b>158,321</b>	<b>1,023,612</b>
<b>Total recognised income and expense</b>	-	-	-	-	-	-	165,539	165,539
<b>Transactions with shareholders:</b>								
Equity-instrument-based transactions (Notes 6.5 and 6.7)	-	-	(1,113)	786	-	2,010	-	1,683
Operations with treasury shares	-	-	-	-	-	(3,554)	-	(3,554)
Distribution of profit 2018	-	-	10,164	-	46,314	-	(158,321)	(101,843)
Dividends	-	-	-	-	(48,938)	-	-	(48,938)
<b>BALANCE AT 30-09-2019</b>	<b>26,550</b>	<b>867,808</b>	<b>29,381</b>	<b>6,052</b>	<b>(48,938)</b>	<b>(9,893)</b>	<b>165,539</b>	<b>1,036,499</b>

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2019 statement of changes in total equity.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 14). In the event of a discrepancy, the Spanish-language version prevails.

**COMPAÑÍA DE DISTRIBUCIÓN INTEGRAL LOGISTA HOLDINGS, S.A.**

**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 SEPTEMBER 2019 AND 2018**

(Thousands of Euros)

	Notes	2.019	2.018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		<b>214,776</b>	<b>96,176</b>
Profit for the year before tax		160,628	148,664
Adjustments for-		66	614
Finance costs	Note 9	116	614
Finance income		(50)	-
Changes in working capital-		320	2,506
Trade and other payables		320	2,506
Other cash flows from operating activities-		53,762	(55,608)
Interest paid		(116)	(614)
Interest received		50	-
Collection/Payments for income tax		53,828	(54,994)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		<b>(214,814)</b>	<b>(96,125)</b>
Proceeds and payments relating to equity instruments-	Note 6	(1,544)	(633)
Acquisition of treasury shares		(1,544)	(633)
Proceeds and payments relating to financial liability instruments-	Note 9	(62,489)	50,072
Proceeds from issue of borrowings from Group companies and associates		169,612	198,617
Repayment of debts to group companies		(232,101)	(148,545)
Dividends payment and remuneration of other equity instruments-		(150,781)	(145,564)
Dividends payment		(150,781)	(145,564)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(38)</b>	<b>51</b>
Cash and cash equivalents at beginning of year		62	11
Cash and cash equivalents at end of year		24	62

The accompanying Notes 1 to 14 and Appendix I are an integral part of the 2019 statement of cash flow.

## **Compañía de Distribución Integral Logista Holdings, S.A.**

Notes to the annual Financial Statements for the  
year ended 30 de September de 2019

### **1. Company activity**

Compañía de Distribución Integral Logista Holdings, S.A., 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 PLC Group. On 26 May 2014, the Company was registered in the Mercantile Registry as a sole-shareholder company.

The Company's registered office is at Polígono Industrial Polvoranca, calle Trigo, número 39, Leganés (Madrid).

On 4 June 2014, the Company effected a capital increase with all shares subscribed by Altadis S.A.U. through non-monetary contribution of shares representing 100% of the share capital of Compañía de Distribución Integral Logista, S.A.U., until that time the parent company of the Logista Group, from then onwards, the Company became the Parent of the aforementioned Group.

The offering of shares in the 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 (see Note 6).

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 2018 will hereinafter be referred to as "2018"; the period ended 30 September 2019 as "2019", and so on.

The activity performed by the Company since its incorporation has been that of a holding company. The company is the Parent of a distributor and logistics operator Group, which provides various distribution channels with a wide range of value added products and services, including tobacco and tobacco by-products, convenience goods, electronic documents and products (such as mobile phone and travel card top-ups), drugs, books, publications and lottery tickets. In order to provide these services, the Group has a complete infrastructure network, which spans the whole value chain, from picking to POS delivery.

The Company, as parent of a group of subsidiaries, prepares consolidated financial statements separately in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs). The consolidated financial statements of Logista Group for 2019 were formally prepared by its directors at the Board of Directors meeting held on 29 October 2019.

In comparison with these separate financial statements, the consolidated financial statements for the year ended 30 September 2019 reflect an increase in assets and revenue of EUR 6,042,094 thousand and EUR 9,985,925 thousand, respectively, and a decrease in profit or loss of EUR 913 thousand. This effect also includes the impact of the application of EU-IFRSs on the consolidated financial statements.

In turn, Altadis, S.A.U., the Company's parent, belongs to the Imperial Brands PLC Group, which is governed by the corporate legislation in force in the United Kingdom, and whose registered office is at 121 Winterstoke Road, Bristol, BS3 2LL (United Kingdom). The consolidated financial statements of the Imperial Brands PLC Group for 2018 were formally prepared by its Directors at the Board of Directors meeting held on 6 November 2018.

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

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

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

- a. The Spanish Commercial Code and all other Spanish corporate law.
- b. Law on Corporations consolidated text.
- c. The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and the amendments thereto introduced by Royal Decrees 1159/2016 and 602/2016.
- d. The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.
- e. All other applicable Spanish accounting legislation.

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

The financial statements for 2019, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for the corresponding period. These financial statements, which were formally prepared by the Company's Directors, will be submitted for approval by the General Meeting, and it is considered that they will be approved without any changes.

The financial statements for 2018 were approved at the Annual General Meeting held on 26 March 2019.

### ***2.3 Accounting principles applied***

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

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

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

- The calculation of allowances for financial assets (see Note 4.1).
- The assessment of the long-term obligations to employees of the companies in the Group headed by the Company (see Note 4.4).
- The assessment of the income tax expense (see Note 4.3).

Although these estimates were based on the best information available at the close of 2019, it is possible that future events may require these to be raised or lowered in the coming years. This would be done prospectively, recognising the effects of the changes in accounting estimates in the relevant future financial statements.

## **2.5 Comparative information**

The information relating to 2018 included in these notes to the financial statements is presented solely for comparison purposes with that relating to 2019.

## **2.6 Grouping of items**

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

## **2.7 Materiality**

In preparing these financial statements the Company 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 conceptual framework applicable to the Company.

## **3. Distribution of profit**

The proposed distribution of the profit for 2019, amounting to EUR 165,539 thousand, that the Company's Directors will submit for approval by the shareholders at the Annual General Meeting is as follows:

	Thousands of Euros
To legal reserve	9,074
Dividends	107,527
Interim dividend (Note 6.4)	48,938
	<b>165,539</b>

Pursuant to the legislation in force, the Company assessed the liquidity statement on the date of approval of the interim dividend. Based on this assessment, on 23 July 2019 the Company had EUR 102 million available for drawdown against the credit line granted by Compañía de Distribución Integral Logista, S.A.U. to the Company (the drawable limit of which is EUR 115 million and against which the Company has drawn down EUR 13 million).

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

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2019, in accordance with the Spanish National Chart of Accounts, were as follows:

### **4.1 Financial instruments**

#### *4.1.i Financial assets*

##### *Equity investments in Group companies*

Group companies are deemed to be those related to the Company as a result of a relationship of control.

These investments are measured at cost or contribution value net, where appropriate, of any accumulated impairment losses. The method used to determine the value of the shares received through the non-monetary contribution made by Altadis, S.A.U. was to maintain the carrying amount of the contributed shares in the separate financial statements of the contributing company at the date of contribution.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the corresponding write-down is recognised through the income statement.

Value in use is calculated on the basis of an estimate of the future cash flows generated by each cash-generating unit, discounted at a rate which reflects the current value of money and the specific risks associated with the assets. Fair value is considered to be the value at which the asset in question could be disposed of under normal conditions, and it is determined on the basis of market data, comparable transactions, etc.

Impairment losses and, where appropriate, their reversal, are recognised as an expense or as income, respectively, in the income statement.

The Company assesses the existence of possible impairment losses by comparing carrying amount with recoverable amount, which is the higher of fair value less costs of disposal and the present value of the future cash flows from the investment. Additionally, the Company has made a contrast with the trading value at closing.

At 30 September 2019 and 2018, the Company's Directors had not tested for impairment the ownership interest in Compañía de Distribución Integral Logista, S.A.U. (see Note 5.1).

#### *Loans and receivables*

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

#### *Cash and cash equivalents*

Cash includes both cash and demand deposits.

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

#### *4.1.ii Financial liabilities*

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

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

#### *4.1.iii Equity instruments*

Equity instruments issued by the Company are recognised in equity at the proceeds received, less issue and arrangement costs.

The acquisition by the Company of treasury shares is disclosed separately at cost as a reduction of equity in the balance sheet. No gain or loss is recognised in income statement on transactions involving own equity instruments.



## **4.2 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. Revenue is measured at the fair value of the consideration received, net of discounts and taxes.

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

## **4.3 Income tax**

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

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

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

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

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

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

From 2017 onwards, the Company is the parent of the tax group, with tax Group number 548/17 assigned.

## **4.4 Pension and other employee benefit obligations**

On 4 June 2014, the Company's Board of Directors approved the 2014 long-term incentive plan structure (general plan and special plan), vesting from 1 October 2014 to 30 September 2019, which is made up of three blocks of three years each, with plan settlements taking place on completion of each block.

The terms of these plans recognise the right of certain workers of companies in the Group headed by the Company to receive a given number of Company shares at the end of the third year from commencement of each of the three blocks into which the plan is divided, taking into account the degree of achievement of certain internal financial and operating benchmarks, total shareholder return and profitability compared with other companies.

On 29 January 2015, the Board of Directors approved the list of beneficiaries (47 included in the general plan and 10 in the special plan) and made an estimate of the cost of the first block (2014-2017). The total estimated cost of the first tranche of the plan was EUR 2,856 thousand.

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

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 second tranche numbered 56 for the General Plan and 9 for the Special Plan. The total estimated cost of the second 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 2,933 thousand.

In order to cater for the equity-settled 2014 long-term incentive plan and the 2017 incentive plan, and by virtue of the authorization granted by the Board of Directors, the Group acquired 747,461 treasury shares for EUR 15,110 thousand (EUR 3,554 thousand in 2019, EUR 3,366 thousand in 2018 and EUR 3,161 thousand in 2017 and EUR 4,359 thousand in 2016 and EUR 670 thousand in 2015) (see Note 6.6).

On 23 January 2018, the Board of Directors approved the settlement of the First Vesting Period (2014-2017) of the General Plan and Special Plan of the 2014. The settlement gave rise to the delivery for no consideration 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 Company 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.

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

On 25 September 2018 the Board of Directors extended to 1 October 2019 the Company's Extended Share Repurchase Programme (up to 641,372 shares, 0.48% of the share capital), to include them in the second and third tranches of the 2014 long-term incentive plan and the first tranche of the 2017 long-term incentive plan.

On 29 January 2019, the Board of Directors approved the settlement of the second Vesting Period (2015-2018) of the General Plan and Special Plan of the 2014. The settlement gave rise to the delivery for no consideration of a total of 158,699 shares amounting to EUR 2,010 thousand to the beneficiaries of the two plans. The shares were delivered net of the related tax withholding.

Lastly, on 24 September 2019 the Board of Directors extended to 1 October 2020 the Company's Extended Share Repurchase Programme (up to 681,013 shares, 0.51% of the share capital), to include them in the third tranches of the 2014 long-term incentive plan and the first and second tranches of the 2017 long-term incentive plan.

#### **4.5 Related party transactions**

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

#### **4.6 Environmental assets and liabilities**

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

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

#### **4.7 Current and Non-current classification**

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

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

#### **4.8 Revenue**

For accounting purposes, the Company classifies the dividends received as a result of its ownership interest in Compañía de Distribución Integral Logista, S.A.U. in revenue, since this ownership interest and the activities connected therewith constitute the Company's revenue-producing activity.

### **5. Financial assets**

#### **5.1 Non-current investments in Group companies**

The detail of "Non-Current Investments in Group companies and associates" at 30 September 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Equity instruments	974,689	973,904
	<b>974,689</b>	<b>973,904</b>

In 2019 the Company recognised as an increase in its investment in Compañía de Distribución Integral Logista, S.A.U. the amount vested as a result of the 2014 and 2017 long-term incentive plans amounting to EUR 2,997 thousand and recognised as a decrease in the aforementioned investment the settlement of the Second Vesting Period (2015-2018) of the 2014 Incentive Plan amounting to EUR 2,210 thousand (2018: the increase in the investment amounted to EUR 2,838 thousand) (see Note 4.4).

The most significant information in relation to the Group Company at 30 September 2019 is as follows:

Company	Address	Direct % of Ownership	Thousands of Euro					
			Data on the Companies					Carrying Amount Cost
			Share Capital	Profit for the Year		Reserves and Others	Total Equity	
Operating Profit	Profit							
Compañía de Distribución Integral Logista, S.A.U.	C/ Trigo, 39 Polígono Industrial Polvoranca. Leganés	100	26,550	61,880	335,922	128,085	490,557	974,689

On 23 July 2019, the Board of Directors of Compañía de Distribución Integral Logista, S.A.U. approved the distribution of dividend out of profit for 2019 amounting to EUR 65,048 thousand. In addition, the Annual General Meeting of Compañía de Distribución Integral Logista, S.A.U., held on 25 March 2019, approved the definitive distribution of the profit for 2018 and resolved to distribute a dividend in addition to the interim dividends paid in 2018 amounting to EUR 97,350 thousand.

## 5.2 Financial risk exposure

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

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

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

### a. Credit risk:

The Company's main financial assets are cash and loans to Group companies. In general, the Group holds its cash and cash equivalents at banks with high credit ratings.

### b. Liquidity risk:

The Company, 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 balance sheet, together with the credit and financing facilities obtained through the cash assignment agreement entered into with Imperial Brands PLC Group. (see Note 9).

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

In relation to its cash and cash equivalents the Company is exposed to interest rate fluctuations that could have an effect on its results and cash flows, although due to the Company's financial structure, management considers that this impact would not be material in any event.

The level of exposure of the equity and income statement to the effects of future changes in prevailing exchange rates is not significant.

The Company does not have any direct or indirect significant investments in foreign entities that operate in currencies other than the euro and does not perform significant transactions in countries with currencies other than the euro.

## **6. Equity**

### **6.1 Share capital**

At 30 September 2019 and 2018, the Company'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 per value each, all of which are 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 0.2 par value each, all of the same class, which were fully subscribed and paid in cash by the Parent's sole shareholder, Altadis, S.A.U.

On 4 June 2014, Altadis, S.A.U. approved a capital increase of EUR 26,490 thousand at the Parent, which was subscribed by means of a non-monetary contribution through the issue of 132,450,000 new shares of EUR 0.2 par value each, with a total share premium of EUR 942,148 thousand. The shares issued were of the same class as the outstanding shares, and they were fully subscribed and paid by Altadis, S.A.U. by means of the contribution to the Parent of the 44,250,000 registered shares representing the entire share capital of Compañía de Distribución Integral Logista, S.A.U. (which was, until that time, the Parent of the Logista Group). In this connection, it should be noted that the aforementioned non-monetary contribution was subject to the requisite appraisal by an independent expert appointed by the Mercantile Registry, in accordance with the Consolidated Spanish Limited Liability Companies Law and the Mercantile Registry Regulations.

The offering of shares in the 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 only shareholder with an ownership interest of 10% or more in the Company's share capital at 30 September 2019 and 2018 was Altadis, S.A.U., with an ownership interest of 50.01%.

At 30 September 2019, all shares of the Company have the same voting and dividend rights.

### **6.2 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.

### **6.3 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.

At 30 September 2019, the legal reserve has reached the legally stipulated minimum.

### **6.4 Interim dividends**

On 23 July 2019, the Company's Board of Directors approved the distribution of an interim dividend out of 2019 profit amounting to EUR 48,938 thousand, which has already been paid (EUR 46,314 thousand in 2018) (See Note 3).

## 6.5 Other reserves

These reserves are unrestricted. The changes in 2019 relate to the distribution of profit for 2018 not distributed to the shareholders of EUR 10,164 thousand and the negative effect of the settlement of the Second Vesting Period (2015-2018) of the 2014 Incentive Plan amounting to EUR 1,113 thousand (see Note 4.4).

## 6.6 Treasury shares

The Company has 486,013 treasury shares amounting to EUR 9,893 thousand in order to cover the long-term incentive plan described in Note 4.4., representing 0.4% of share capital.

## 6.7 Other shareholder contribution

In 2019 the Company recognised to this line item a credit amounting to EUR 2,210 thousand (2018: EUR 2,838 thousand) and a charge of EUR 2,997 thousand relating to the long-term incentive plans (2018: EUR 2,987 thousand) (see Notes 4.4 and 5.1).

# 7. Tax matters

As indicated in Note 4.3, since 18 September 2017 the Company has been head of a consolidated tax group and responsible for its obligations; therefore, the amount receivable of EUR 12,622 thousand in 2018 (2018: EUR 78,403 thousand) arising from the consolidated tax group's tax return for 2018 is presented under "Other Accounts Receivable from Public Authorities" in the balance sheet as at 30 September 2019.

## 7.1 Current tax receivables and payables

The detail of the current tax receivables at 30 September 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Non-resident income tax withholdings	4,087	3,795
Income Tax	73	68
	<b>4,160</b>	<b>3,863</b>

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

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

	Thousands of Euros	
	2019	2018
Accounting profit before taxes	160,628	148,664
Permanent differences:		
Dividends (Note 8.1)	(162,398)	(150,893)
Non-deductible Expenses	90	2
<b>Adjusted taxable profit (fiscal result)</b>	<b>(1,680)</b>	<b>(2,227)</b>

In 2019 and 2018 the Company applied the treatment provided for in Article 21.1 of the new Spanish Income Tax Law in relation to the dividends received from its subsidiary and, therefore, considered them to be exempt from inclusion in the income tax calculation.

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

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

	Thousands of Euros	
	2019	2018
Accounting profit for the year before tax	160,628	148,664
Permanent differences	(162,398)	(150,893)
Non-deductible Expenses	90	2
<b>Adjusted taxable loss</b>	<b>(1,680)</b>	<b>(2,227)</b>
Tax charge (25% of taxable loss)	(420)	(557)
Deductions	(31)	-
Corporate tax adjustment (Note 7.5)	(4,460)	(9,100)
<b>Income tax profit</b>	<b>(4,911)</b>	<b>(9,657)</b>

### 7.4 Breakdown of income tax profit

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

	Thousand of Euros	
	2019	2018
Current tax	(451)	(557)
Deferred tax (Note 7.5)	(4,460)	(9,100)
<b>Income tax profit</b>	<b>(4,911)</b>	<b>(9,657)</b>

### 7.5 Changes in deferred tax liabilities

The changes in deferred tax liabilities in 2019 and 2018 were as follows:

*Fiscal year 2019*

	Thousand of Euros		
	2018	Reductions	2019
Deferred tax liabilities	(4,460)	4,460	-
	<b>(4,460)</b>	<b>4,460</b>	<b>-</b>

*Fiscal year 2018*

	Thousand of Euros		
	2017	Reductions	2018
Deferred tax liabilities	(13,560)	9,100	(4,460)
	<b>(13,560)</b>	<b>9,100</b>	<b>(4,460)</b>

In the income tax settlement for 2015 the Company applied Article 30 of the Consolidated Spanish Income Tax Law and excluded from the tax base a portion of the dividends received in that year. It also recognised an item of deferred tax based on the ownership interest in Altadis, S.A.U. that was sold in the public offering in 2014 (see Note 1).

### 7.6 Tax credit carryforwards

At 30 September 2019, the Company has tax credit carryforwards amounting to EUR 1,870 thousand (2018: EUR 4,426 thousand).

### 7.7 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. The Company has the last four years open for review for all applicable taxes. The Company has open for review the last four years for all the other taxes applicable. Additionally, The Company has currently under review by the tax authorities years 2013, 2014, 2015 and 2016 for income taxes and years 2014, 2015 and 2016 for withholding taxes.

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.

## 8. Income and expenses

### 8.1 Revenue

In 2019 and 2018 the Company received the dividends described in Note 5.1 from Compañía de Distribución Integral Logista, S.A.U, amounting to EUR 162,398 thousand and EUR 150,893 thousand, respectively.

### 8.2 Staff costs

The balance of "Staff Costs" in the income statement for 2019 and 2018, amounting to EUR 1,010 and EUR 881 thousand, respectively, includes the expenses incurred directly by the Company in respect of remuneration of the Board of Directors. At 30 September 2019 and 2018, the Company did not have any employees.

#### *Remuneration of Senior Executives*

The functions of Senior Executives are discharged by the members of the Logista Group's Management Committee. The remuneration accrued in 2019 by the members of the Logista Group's Management Committee (excluding the executive directors), which is recognised in the financial statements of Compañía de Distribución Integral Logista, S.A.U., amounted to EUR 4,583 thousand (30 September 2018: EUR 5,463 thousands).

The period contributions to the savings schemes for members of the aforementioned Management Committee for 2019 and 2018 amounted to EUR 250 thousand and EUR 262 thousand, respectively.

### 8.3 Audit fees

In 2019 and 2018 the fees for financial audit services provided by the auditor of the Company's financial statements, or by companies related to the auditor as a result of a relationship of control, common ownership or common management, were as follows:

	Thousand of Euros			
	2019		2018	
	PwC	Deloitte	PwC	Deloitte
Total audit and related services				
Audit services	11	11	11	11
Other attest services	53	27	30	27
Total audit and related professional services	64	38	41	38
Other services	-	-	-	-
<b>Total professional services</b>	<b>64</b>	<b>38</b>	<b>41</b>	<b>38</b>



From the date of year-end to the date of preparation of these consolidated annual accounts, fees charged for non-audit services provided by co-auditor PricewaterhouseCoopers Auditores, S.L. amounted to EUR 12.4 thousand and by the co-auditor Deloitte, S.L. amounted EUR 10.3 thousand.

The co-auditors did not bill any fees for non-audit services from the date of year-end to the date of preparation of 2018 consolidated annual accounts.

## **9. Balances and transactions with related parties**

In 2019 and 2018 the Company received the dividends described in Note 5.1 from Compañía de Distribución Integral Logista, S.A.U.

As of 12 June 2014, Imperial Brands Enterprise Finance Limited, Compañía de Distribución Integral Logista Holdings, S.A., Compañía de Distribución Integral Logista, S.A.U. and Logista France, S.A.S., entered into a new mutual agreement for a five-year credit line (automatically renewable for one year, unless either of the parties sends a notice opposing such renewal at least one year prior to maturity), with a maximum draw down limit of EUR 2,000 million. As of 1 December 2015 the maximum draw down limit was increased to EUR 2,600 million. The purpose of this agreement is to govern the terms and conditions under which group companies will lend, on a daily basis, its cash surpluses to Imperial Brands Enterprise Finance Limited for the purpose of optimizing 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.

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).

The daily balance of this internal current account earns interest at the European Central Bank interest rate, plus a spread of 0.75%. Interest is calculated daily on a 360-day basis and is added to the nominal value of the debt quarterly. In 2019 and 2018 there is no outstanding amount for the Company.

Under the aforementioned agreement, the Company has committed not to incur in any financial indebtedness with third parties not to pledge any of its assets but under qualified approval by the Board of Directors.

On 18 June 2014, Compañía de Distribución Integral Logista, S.A.U. and the Company entered into a credit line and cash pooling agreement, the amount and maturity of which were amended in addenda to the agreement. The drawable limit is EUR 115 million, and the maturity date is 30 September 2019. At the date of preparation of these financial statements, the parties had agreed to extend this agreement for an additional year. At 30 September 2019, the Company has a balance payable to Compañía de Distribución Integral Logista, S.A.U. of EUR 41,733 thousand (2018: EUR 711 thousand of surplus).

The average daily balance held under the aforementioned agreement has a cost equal to the European Central Bank rate plus a spread of 2.2% (with a 2.2% minimum) for credit drawdowns and earns interest at the same benchmark rate plus a spread of 0.75% for surplus cash loans. In 2019, the interest expense incurred as a result of the aforementioned agreement amounted to EUR 116 thousand (2018: EUR 614 thousand) and EUR 46 thousand of interest income.

Also, the Company is head of, and responsible for the obligations of, the consolidated income tax group. Consequently, the Company recognised an account payable to Compañía de Distribución Integral Logista, S.A.U. of EUR 12,405 thousand under "Debts with Group Companies and Associates" (2018: EUR 18,931 thousand) (see Note 7).

## **Remuneration of the Board of Directors**

In 2019 and 2018 the remuneration accrued by the members of the Board of Directors in their capacity as directors or members of the Board's standing committees, recognized under "Staff Costs" in the income statements, together with the remuneration accrued by directors who are also executives through

Compañía de Distribución Integral Logista, S.A.U amounted to EUR 4,477 thousand and EUR 5,092 thousand, respectively.

The contributions to savings schemes for 2019 and 2018 corresponding to executive directors amounted to EUR 359 thousand and EUR 237 thousand, respectively.

The life insurance premium for the Group Executive Directors for 2019 and 2018 amounted to EUR 15 thousand each year.

The Company a long-term incentive plans that concern the members of the Logista Group's Management Committee, the cost and characteristics of which are detailed in Note 4.4.

In 2019 the directors' third-party liability insurance amounted to EUR 45 thousand each year.

In 2019 and 2018 the Company did not perform with the directors any transactions outside the ordinary course of business or other than on an arm's length basis.

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

#### **Information on conflicts of interests on the part of Directors**

As per art.229 of the Law on Corporations, no Director has informed any situation of direct nor indirect conflict of interests with the Company.

#### **Composition of the Logista Group**

As indicated in Note 1, the Company is the parent of the Logista Group. The Group is organised as detailed in Appendix I.

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

The Company does not have guarantee commitments to third parties nor other contingent liabilities identified at 30 September 2019 and 2018.

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

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

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

	Days	
	2019	2018
Average period of payment to suppliers	20	21
Ratio of transactions settled	21	21
Ratio of transactions not yet settled	11	19

	Thousands of Euros	
	2019	2018
Total payments made	643	680
Total payments outstanding	48	29

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.

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

The maximum payment period applicable to the Company in 2019 under Law 11/2013, of 26 July, on combating late payment in commercial transactions, was 30 days unless the parties have entered into an agreement for a maximum period of 60 days.

## **12. Information on the environment**

In matters concerning the environment, the Company complies strictly with all the requirements of applicable legislation and also looks for the best ways of reducing its environmental impact (waste reduction awareness campaigns and improvement of waste management; policies aimed at reducing atmospheric emissions and the use of water, electricity and paper; reduction of the use of containers and packaging by improving manufacturing processes, etc.). During the year ended at 30 September 2019 and 2018 the Company has not incurred in any expenses or performed any investment to protect and improve the environment.

## **13. Events after the reporting period**

No significant events have occurred subsequent since the end of the year ended 30 September 2019.

## **14. Explanation added for translation to English**

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

## Appendix I

Companies compromised within Logista Group

2019

Company	Auditor	Registered address
Compañía de Distribución Integral Logista, S.A.U. Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª módulo 3, Alcorcón
Publicaciones y Libros, S.A.U.	Deloitte	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª módulo 3, Alcorcón
Distribuidora del Noroeste, S.L. Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	Deloitte No Audit	Gandarón, 34 Interior- Vigo C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L.	Deloitte	Polígono Industrial Zal, Carretera de la Esclusa s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A.U.	No Audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A.U. Distribuidora Valenciana de Ediciones, S.A.	No Audit Deloitte	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña Polígono Industrial Vara de Quart. c/ Pedrapiquera, 5. Valencia
Cyberpoint, S.L.U.	No Audit	Avenida de Europa, 2 Edificio Alcor Plaza, Ala Este, Planta 4ª módulo 3, Alcorcón
Distribuidora del Este, S.A.U.	Deloitte	C/ Félix Rodríguez de la Fuente, 11 Parque empresarial de Elche, Elche
S.A.U. Distribuidora de Ediciones Logista Libros, S.L.	Deloitte Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona Avda. de la Vegailla, 12-A Cabanillas del Campo, Guadalajara
La Mancha 2000 S.A.U.	BDO	Avenida de la Vegailla, 12 Nave A Parcela S120, Cabanillas del Campo, Guadalajara
Midsid - Sociedade Portuguesa de Distribuição, S.A.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U. Logesta Gestión de Transporte, S.A.U. Logesta Italia, s.r.l.	Deloitte Deloitte Collegio Sindacale	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Via Valadier, 37. Roma (Italia)
Logesta Lusa Lda.	No Audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o. Logesta Deutschland GmbH Logesta France, S.A.R.L. Dronas 2002, S.L.U.	No audit No Audit No audit Deloitte	Al.Jerozolimskie, 96, Warszawa (Polonia) Unsöldstrabe,2 , 20538, München (Alemania) 27 avenue des Murs du Parc, 94300 Vincennes Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
Logista Pharma Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U. Be to Be Pharma, S.L.U. Logista Italia, S.p.A. Terzia, S.p.A. Logista Transportes, Transitários e Pharma, Lda.	Deloitte No audit PwC PwC Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés Vía Valadier, 37. Roma (Italia) Vía Valadier, 37. Roma (Italia) Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp.z.o.o. Logista France, S.A.S.	Deloitte Deloitte y PwC	Al. Jerozolimskie, 96. Warszawa. Polonia 27 avenue des Murs du Parc, 94300 Vincennes
Supergroup S.A.S. Société Allumetiére Française, S.A.S. Logista France Holding, S.A.S Logista Promotion et transport, S.A.S	Deloitte Deloitte Deloitte Deloitte	27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes 27 avenue des Murs du Parc, 94300 Vincennes

**2018**

Company	Auditor	Registered address
Compañía de Distribución Integral Logista, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Compañía de Distribución Integral de Publicaciones Logista, S.L.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribérica, S.A.U.	No Audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Publicaciones y Libros, S.A.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Noroeste, S.L.	Deloitte	Gandarón, 34 Interior- Vigo
Distribución de Publicaciones Siglo XXI Guadalajara, S.L.	No Audit	C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara)
Distribuidora de Publicaciones del Sur, S.L.	Deloitte	Polígono Industrial Zal, Carretera de la Esclusa s/n, Parcela 2, Módulo 4 (Sevilla)
Promotora Vascongada de Distribuciones, S.A.	No Audit	C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya)
Distribuidora de las Rías, S.A.	No Audit	Polígono PO.CO.MA.CO, Parcela D-28. La Coruña
Distribuidora Valenciana de Ediciones, S.A.	Deloitte	Polígono Industrial Vara de Quart. c/ Pedrapiguera, 5. Valencia
Cyberpoint, S.L.U.	No Audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Distribuidora del Este, S.A.U.	Deloitte	Calle Saturno, 11. Alicante
S.A.U. Distribuidora de Ediciones	Deloitte	C/ B, Sector B Polígono Zona Franca. Barcelona
Logista Libros, S.L.	Deloitte	Avda. de la Vega, 12-A Cabanillas del Campo, Guadalajara
La Mancha 2000, S.A.U.	BDO	Avenida de la Vega, 12 Nave A Parcela S120, Cabanillas del Campo, Guadalajara
Midsid - Sociedade Portuguesa de Distribuição, S.A.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
José Costa & Rodrigues L.D.A	PwC	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logista-Dis, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Gestión de Transporte, S.A.U.	Deloitte	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logesta Italia, s.r.l.	Collegio Sindacale	Via Valadier, 37. Roma (Italia)
Logesta Lusa Lda.	No Audit	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Logesta Polska Sp. z.o.o.	No audit	Al.Jerozolimskie, 96, Warszawa (Polonia)
Logesta Deutschland GmbH	No Audit	Unsöldstrabe,2 , 20538, München (Alemania)
Logesta France, S.A.R.L.	No audit	27 avenue des Murs du Parc, 94300 Vincennes
Dronas 2002, S.L.U.	Deloitte	Pol. Industrial Nordeste, c/ Energía 25-29. Sant Andreu de la Barca
Logista Pharma Gran Canaria, S.A.U.	Deloitte	Urbanización El Cebadal. C/ Entrerríos, 3. Las Palmas de Gran Canaria
Logista Pharma, S.A.U.	Deloitte	Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca
Be to Be Pharma, S.L.U	No Audit	C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés
Logista Italia, S.p.A.	PwC	Vía Valadier, 37. Roma (Italia)
Terzia, S.p.A.	PwC	Vía Valadier, 37. Roma (Italia)
Logista Transportes, Transitários e Pharma, Lda.	Deloitte	Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal)
Compañía de Distribución Integral Logista Polska, Sp.z.o.o.	Deloitte	Al. Jerozolimskie, 96. Warszawa. Polonia
Logista France, S.A.S.	Deloitte y PwC	27 avenue des Murs du Parc, 94300 Vincennes
Supergroup S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Société Allumetière Française, S.A.S.	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Logista France Holding, S.A.S	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes
Logista Promotion et transport, S.A.S	Deloitte	27 avenue des Murs du Parc, 94300 Vincennes

## **Compañía de Distribución Integral Logista Holdings, S.A.**

Directors Report for financial  
year ended 30<sup>th</sup> September 2019

### **1. EVOLUTION AND POSITION OF THE COMPANY IN 2019**

Due to its Holding Company condition, the Company has not operations and carries out its activity through its operating company, Compañía de Distribución Integral Logista, S.A.U. and rest of the Group's companies.

Logista is the leading distributor of products and services to proximity retailers in Southern Europe, serving around 300,000 points of sale within capillary retail networks in Spain, France, Italy and Portugal, providing the best and fastest access to the market of tobacco and convenience products, electronic top-ups, pharmaceuticals, books, publications and lotteries. Logista, also, distributes tobacco products to wholesalers in Poland.

The Logista's share price was 17.9 euros at closing of fiscal year 2019 (September 30, 2019). So, the Logista's market capitalization amounted 2,373.6 million euros at closing of fiscal year 2019.

During the fiscal year 2019, revenues were 162,398 thousand euros. The Company's revenues come from the distribution of dividends paid by Group's companies.

The Company paid a FY2018 final dividend amounted 101.8 million euros on March 29, 2019 and paid a 2019 interim dividend for 48.9 million euros on August 29, 2019. Also, the Company acquired 159,300 own shares during the fiscal year 2019, in the following dates:

<b>Date</b>	<b>Price</b>	<b>Number of shares</b>
13/12/2018	21.64	5,310
14/12/2018	21.49	5,310
17/12/2018	21.94	5,310
18/12/2018	22.15	5,310
19/12/2018	22.45	5,310
20/12/2018	22.03	3,186
21/12/2018	21.94	6,372
21/12/2018	21.86	1,062
24/12/2018	22.12	5,310
27/12/2018	21.61	5,310
28/12/2018	21.75	5,310
31/12/2018	22.11	5,310
02/01/2019	21.74	5,310

03/01/2019	21.77	5,310
04/01/2019	22.18	5,310
07/01/2019	22.24	5,310
08/01/2019	22.62	5,310
09/01/2019	22.79	5,310
10/01/2019	22.57	5,310
11/01/2019	22.63	4,248
14/01/2019	22.51	6,372
15/01/2019	22.52	5,310
16/01/2019	22.40	5,310
17/01/2019	22.48	5,310
18/01/2019	22.53	5,310
21/01/2019	22.61	5,310
22/01/2019	22.70	5,310
23/01/2019	22.67	5,310
24/01/2019	22.86	5,310
25/01/2019	22.77	5,310
28/01/2019	22.76	5,310

### **1.1 Research and Development activities**

The Company did not make any investments in research and development activities in the fiscal year 2019.

### **1.2 Treasury shares**

At 30 September 2019, the Company holds 486,013 own shares.

### **1.3 Outlook for the Company**

As the Company is a holding company, the Company's outlook is linked to the performance of the companies that form the Logista Group.

## **2. RISK EXPOSURE**

The Corporate Risk Management System of the Company is set forth in the Risks Management General Policy of September 29<sup>th</sup> 2015, with the purpose of providing to the Business Managers/Corporate Directorates, a holistic view, improving the Management capacity to manage risks in an efficient way and minimizing the impact in case the risks materialize.

In this Policy, different risk categories or factors are defined, in which, as part of the financial risks category, tax risks related to the current Company's activity are included.

Likewise, Fiscal strategy described at Fiscal Policy of Logista Group, of which the Company is the head, states, as part of its key objectives the following:

- To minimize the fiscal risks associated with the operations and 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 25<sup>th</sup>, 2017, establishes a general action framework for controlling and management of internal and external risks of any nature, which may affect the Company, 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).

The Company, considering its nature as entity of public interest due to its shares are trading in the Stock Market, and being the holding company of the Logista Group, presents as main risk the risk derived from a possible in compliance of the regulatory framework to which it is subject. However, the Company presents a low tolerance respect this risk and has established policies, procedures and controls that allow to identify, prevent and mitigate this risk, as well as to comply with the obligations imposed by the various legislations applicable to it.

On the other hand, from a financial perspective, the main financial risks that the Company faces can be summarized in:

The Company's main financial assets are cash and cash equivalents and credits to Group's companies that represent the Company's maximum exposure to credit risk. In general, the Company deposits its cash and cash equivalents in entities holding a high credit rating. Likewise, the Company presents an exposure to credit or counterparty risk with Imperial Brands by virtue of the subscribed treasury agreements.

The Company estimates that at 30 September 2019 the level of exposure to credit risk of its financial assets is not significant.

To ensure the liquidity and be able to pay all its payments commitments derived from its usual activities, the Company maintains enough cash and cash equivalents, as well as, credit lines through the subscribed treasury agreements, ultimately, with Imperial Tobacco Enterprise Finance Limited, entity belonging to the Imperial Brands PLC Group.

Respect the exposure to interest rate risk, considering the no-financial debt of the Company, the Management considers the impact from a potential increase in interest rates which could have in the attached 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.

From a fiscal point of view, the main risk that the Company faces is derived from the possibility of modifications in the tax regulations, than might impact directly in the results and cash management of the Company.

#### **Associated risks and expected impacts on the business's strategy and activities due to the decision of UK to leave the European Union**

The Company belongs to the Imperial Brands Group that has its registered office in the United Kingdom. In this sense, the Company has valued the risk, as well as the possible impact that it might occur as the consequence of the exit of the United Kingdom from the European Union. 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, and/or from a possible currency volatility, might not have a highly impact in the development of the Logista Group's activities.

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 on the exit model of the United Kingdom of the EU.

### **3. USE OF FINANCIAL INSTRUMENTS**

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

### **4. SIGNIFICANT EVENTS FOR THE COMPANY AFTER THE REPORTING PERIOD**

No events significantly affecting the accompanying financial statements took place after the end of the fiscal year 2019.

### **5. ANNUAL REPORT ON CORPORATE GOVERNANCE**

It is included as a separated section of the Directors Report.

## Certificate on the issuance of the financial statements

Financial Statements and Directors Report for the year ended 30 September 2019 (1 October 2018 to 30 September 2019), have been formally prepared by the Board of Directors, Compañía de Distribución Integral Logista Holdings, S,A, at its meeting on 29 October 2019 in order to be audited and approved by the Shareholders.

Corporate Governance Annual Report for the year ended 30 September 2019, which is part of Directors Report, is included below as a Directors Report separate section.

Financial Statements and Directors Report are set forth on 26 sheets, on the obverse only, all of which are signed by the Chairman and Secretary of the Board of Directors, who in witness whereof, have signed below:

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D. Gregorio Marañón y Bertrán de Lis  
Chairman

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D. Luis Egido Gálvez  
Chief Executive

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Mr. Alain Minc  
Director

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D<sup>a</sup>. Cristina Garmendia Mendizábal  
Director

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D. Jaime Carvajal Hoyos  
Director

---

Mr. John Matthew Downing  
Director

---

Mr. Richard Guy Hathaway  
Director

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Mr. Amal Pramanik  
Director

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Mr. Richard Charles Hill  
Director

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

Leganés, 29 October 2019