

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

Financial Statements for the year ended
30 September 2011 and Directors'
Report, together with Independent
Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Sole-Shareholder of

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

We have audited the financial statements of Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company) comprising the balance sheet at 30 September 2011 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying consolidated financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying financial statements for the year ended 30 September 2011 present fairly, in all material respects, the equity and financial position of Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company) and the results of its operations and its cash flows for the year then ended, in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

The accompanying Directors' Report for 2011 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2011. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Luis de la Mora

December 22, 2011

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

Financial Statements for the year ended
30 September 2011 and Directors'
Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

BALANCE SHEETS AT 30 SEPTEMBER 2011 AND 2010 (Thousands of Euros)

| ASSETS | Notes | 2011 | 2010 | EQUITY AND LIABILITIES | Notes | 2011 | 2010 |
|---|---------------------------|------------------|------------------|---|--------------------|------------------|------------------|
| NON-CURRENT ASSETS: | | | | EQUITY: | | | |
| Intangible assets- | Note 5 | 820,717 | 831,455 | SHAREHOLDERS' EQUITY: | Note 10 | 262,515 | 449,831 |
| Computer software | | 13,708 | 10,141 | Share capital- | | 262,515 | 449,831 |
| Property, plant and equipment- | Note 6.1 | 112,845 | 110,343 | Registered share capital | | 26,550 | 26,550 |
| Land and buildings | | 58,594 | 60,201 | Share premium | | 178,814 | 178,814 |
| Plant and machinery | | 6,621 | 5,528 | Reserves- | | 6,845 | 200,862 |
| Other fixtures, tools and furniture | | 16,700 | 18,982 | Legal and bylaw reserves | | 5,902 | 5,902 |
| Other items of property, plant and equipment | | 18,558 | 14,772 | Other reserves | | 943 | 194,960 |
| Property, plant and equipment in the course of construction | | 12,372 | 10,860 | Profit for the period | | 50,306 | 43,605 |
| Investment property | Note 6.2 | 520 | 534 | | | | |
| Non-current investments in Group companies and associates- | Note 8.2 | 671,737 | 692,115 | NON-CURRENT LIABILITIES: | | | |
| Equity instruments | | 638,137 | 649,715 | Long-term provisions- | Note 11 | 122,114 | 121,624 |
| Loans to companies | | 33,600 | 42,400 | Provisions for long-term employee benefit obligations | | 6,409 | 6,902 |
| Non-current financial assets | Note 8.1 | 1,090 | 1,078 | Other provisions | | 115,705 | 114,722 |
| Deferred tax assets | Note 13.5 | 20,817 | 17,244 | Non-current payables- | Note 12 | 992 | 1,551 |
| | | | | Other financial liabilities | | 992 | 1,551 |
| CURRENT ASSETS: | | | | Payables to Group companies and associates | | 257 | 257 |
| Inventories- | Note 9 | 1,945,626 | 2,013,462 | Deferred tax liabilities | Note 13.6 | 56,776 | 48,316 |
| Goods held for resale | | 433,761 | 316,605 | | | | |
| Advances to suppliers | | 433,716 | 316,549 | | | | |
| Trade and other receivables- | | 45 | 56 | | | | |
| Trade receivables for sales and services | | 351,101 | 428,549 | | | | |
| Receivable from Group companies and associates | | 330,003 | 395,731 | | | | |
| Sundry accounts receivable | Note 16.1 | 17,363 | 25,699 | CURRENT LIABILITIES: | | | |
| Other accounts receivable from public authorities | | 2,647 | 3,224 | Short-term provisions | Note 11 | 2,323,689 | 2,223,338 |
| Current investments in Group companies and associates- | Note 13.1 | 1,088 | 3,895 | Payables to Group companies and associates | Notes 8.3 and 16.1 | 8,863 | 9,119 |
| Loans to companies | | 1,149,359 | 1,258,191 | Trade and other payables- | | 1,125,396 | 1,004,585 |
| Current financial assets- | Notes 8.3 and 16.1 | 1,149,359 | 1,258,191 | Payable to suppliers | | 1,187,904 | 1,208,259 |
| Loans to companies | | 423 | 1,028 | Payable to suppliers - Group companies and associates | | 167,345 | 153,955 |
| Other financial assets | | 124 | 742 | Sundry accounts payable | Note 16.1 | 70,669 | 87,712 |
| Current prepayments and accrued income | Note 8.4 | 299 | 286 | Remuneration payable | | 50,134 | 56,844 |
| Cash and cash equivalents- | | 1,911 | 1,866 | Current tax liabilities and other debts with public authorities | | 9,382 | 6,915 |
| Cash | | 9,071 | 7,223 | Customer advances | Note 13.1 | 890,368 | 902,827 |
| | | | | Current accruals and deferred income | | 6 | 6 |
| TOTAL ASSETS | | 2,766,343 | 2,844,917 | TOTAL EQUITY AND LIABILITIES | | 1,526 | 1,375 |
| | | | | | | 2,766,343 | 2,844,917 |

The accompanying Notes 1 to 20 are an integral part of the balance sheet at 30 September 2011.

Translation of financial statements originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (see Notes 2 and 20). In the event of a discrepancy, the Spanish-language version prevails.

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

INCOME STATEMENTS FOR THE YEARS ENDED

30 SEPTEMBER 2011 AND 2010

(Thousands of Euros)

| | Notes | 2011 | 2010 |
|--|------------------------------|--------------------|--------------------|
| Revenue: | Note 15.1 | 1,984,802 | 2,241,601 |
| Sales | | 1,949,560 | 2,213,576 |
| Services | | 35,242 | 28,025 |
| In-house work on non current assets | Note 6.1 | 1,222 | 1,159 |
| Procurements: | Note 15.2 | (1,720,229) | (1,979,866) |
| Cost of goods held for resale used | | (1,720,229) | (1,979,866) |
| Impairment of goods held for resale | Note 9 | (1,467) | (1,503) |
| Staff costs: | Note 15.3 | (68,002) | (63,786) |
| Wages, salaries and similar expenses | | (50,946) | (47,049) |
| Employee benefit costs | | (15,806) | (16,037) |
| Provisions | Note 11 | (1,250) | (700) |
| Other operating expenses: | | (132,988) | (121,477) |
| Outside services | Note 15.4 | (128,918) | (119,081) |
| Taxes other than income tax | | (902) | (674) |
| Losses on, impairment of and change in allowances for trade receivables | Note 8.5 | (3,119) | (1,667) |
| Other current operating expenses | | (49) | (55) |
| Depreciation and amortisation charge | Notes 5 and 6 | (14,299) | (14,170) |
| Impairment and gains or losses on disposals of non-current assets | Note 6.1 | 22 | 1 |
| Other Results | Note 15.5 | 2,618 | (26,777) |
| PROFIT FROM OPERATIONS | | 51,679 | 35,182 |
| Finance income: | | 66,720 | 55,702 |
| <i>From investments in equity instruments-</i> | Note 16.1 | 32,499 | 27,651 |
| Group companies and associates | | 32,499 | 27,651 |
| <i>From marketable securities and other financial instruments-</i> | | 34,221 | 28,051 |
| Group companies and associates | Note 16.2 | 32,628 | 27,284 |
| Third parties | | 1,593 | 767 |
| Finance costs- | | (30,376) | (33,583) |
| On debts to Group companies and associates | Note 16.1 | (21,169) | (15,852) |
| On debts to third parties | | (4,012) | (4,222) |
| On provisions update | Note 11 | (5,195) | (13,509) |
| Exchange differences | | - | (1) |
| Impairment and gains or losses on disposals of financial instruments- | Notes 8.2, 8.3 and 11 | (26,196) | (14,534) |
| Impairment and other losses | | (26,196) | (14,534) |
| FINANCIAL PROFIT | | 10,148 | 7,584 |
| PROFIT BEFORE TAX | | 61,827 | 42,766 |
| Income tax | Notes 13.3 and 13.4 | (11,521) | (7,035) |
| Positive adjustments to the income tax | Notes 13.3 and 13.4 | - | 7,874 |
| PROFIT FOR THE YEAR | | 50,306 | 43,605 |

The accompanying Notes 1 to 20 are an integral part of the 2011 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 20). In the event of a discrepancy, the Spanish-language version prevails.

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 30 SEPTEMBER 2011 AND 2010

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE

(Thousands of Euros)

| | 2011 | 2010 |
|--|---------------|---------------|
| PROFIT PER INCOME STATEMENT (I) | 50,306 | 43,605 |
| Income and expense recognised directly in equity | - | - |
| TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II) | - | - |
| Transfers to profit or loss | - | - |
| TOTAL TRANSFERS TO PROFIT OR LOSS (III) | - | - |
| TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III) | 50,306 | 43,605 |

The accompanying Notes 1 to 20 are an integral part of the 2011 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 20). In the event of a discrepancy, the Spanish-language version prevails.

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED

30 SEPTEMBER 2011 AND 2010

B) STATEMENTS OF CHANGES IN TOTAL EQUITY

(Thousands of Euros)

| | Share Capital | Share Premium | Reserves | Profit for the Period | Total |
|--|------------------|------------------|----------------|--------------------------|----------------|
| ADJUSTED BALANCE AT BEGINNING OF 2010 | | | | | |
| Total recognised income and expense | 26,550 | 178,814 | 169,305 | 87,755 | 462,424 |
| Transactions with shareholders: | | | | | |
| Distribution of 2009 profit- | | | | | |
| To reserves | - | - | 31,557 | (31,557) | - |
| Dividends | - | - | - | (56,198) | (56,198) |
| 2010 ENDING BALANCE | 26,550 | 178,814 | 200,862 | 43,605 | 449,831 |
| Total recognised income and expense | | | | 50,306 | 50,306 |
| Transactions with shareholders: | | | | | |
| Distribution of 2010 profit- | | | | | |
| To reserves | - | - | 240 | (240) | - |
| Dividends | - | - | - | (43,365) | (43,365) |
| Dividends paid out of reserves | - | - | (194,257) | - | (194,257) |
| 2011 ENDING BALANCE | 26,550 | 178,814 | 6,845 | 50,306 | 262,515 |

The accompanying Notes 1 to 20 are an integral part of the 2011 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 20). In the event of a discrepancy, the Spanish-language version prevails.

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

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 SEPTEMBER 2011 AND 2010

(Thousands of Euros)

| | Notes | 2011 | 2010 |
|---|--------------------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | 36,488 | 155,845 |
| Profit for the year before tax | | 61,827 | 42,766 |
| Adjustments for- | | 9,348 | 50,483 |
| Depreciation and amortisation charge | Notes 5 and 6 | 14,299 | 14,170 |
| Impairment losses | Notes 8.2 and 11 | 26,196 | 14,534 |
| Net impairment losses on stock | Note 9 | 1,467 | 1,503 |
| Net impairment losses on trade receivables | Note 8.5 | 3,119 | 1,667 |
| Changes in provisions | | 933 | 1,743 |
| Finance income | | (66,720) | (55,702) |
| Finance costs | | 30,376 | 33,583 |
| Exchange differences | | - | 1 |
| Other income and expenses | | (322) | 38,984 |
| Changes in working capital- | | (76,207) | 45,506 |
| Inventories | | (118,623) | 6,887 |
| Trade and other receivables | | 74,329 | 103,676 |
| Other current assets | | (45) | (1,532) |
| Trade and other payables | | (31,857) | (54,416) |
| Other current liabilities | | (1,409) | (1,317) |
| Other non-current assets and liabilities | | 1,398 | (7,792) |
| Other cash flows from operating activities- | | 41,520 | 17,090 |
| Interest paid | | (23,816) | (20,074) |
| Dividends received | Note 16.1 | 32,499 | 27,651 |
| Interest received | | 32,856 | 22,598 |
| Income tax recovered (paid) | | (19) | (13,085) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | 82,730 | (25,253) |
| Loss from operations- | | (37,663) | (25,313) |
| Payments due to investment- | | | |
| Group companies and associates | Notes 8.2 and 16.1 | (1,974) | (9,145) |
| Other financial assets | Note 8.1 | (15,335) | - |
| Intangible assets | Note 5 | (915) | (282) |
| Property, plant and equipment | Note 6 | (19,439) | (15,886) |
| Proceeds from disposal- | | 120,393 | 60 |
| Group companies and associates | Note 8.2 and 8.3 | 120,371 | - |
| Property, plant and equipment | Note 6.1 | 22 | 1 |
| Other financial assets | | - | 59 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | (117,370) | (128,461) |
| Proceeds and payments relating to financial liability instruments- | | 120,811 | (72,263) |
| Proceeds from issue of borrowings from Group companies and associates | | 120,811 | (72,263) |
| Payments per financial liabilities | | (559) | - |
| - Issuance of other debts | | 13 | - |
| - Repayment of other debts | Note 12 | (572) | - |
| Dividends and returns on other equity instruments paid- | | (237,622) | (56,198) |
| Dividends | Note 10.3 | (237,622) | (56,198) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | | - | - |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS | | 1,848 | 2,131 |
| Cash and cash equivalents at beginning of year | | 7,223 | 5,091 |
| Cash and cash equivalents at end of year | | 9,071 | 7,223 |

The accompanying Notes 1 to 20 are an integral part of the 2011 statement of cash flows.

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

Notes to the Financial Statements for the
year ended 30 September 2011

1. Company activities

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

In 1999 Tabacalera, S.A. (currently Altadis, S.A.) subscribed a capital increase at the Company through the contribution of the tobacco and other product import and distribution business line, including the employees, the physical assets assigned to it and the distribution and transport contracts (see Note 4.2).

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

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

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

On 29 September 2005, the Company's Board of Directors approved the unbundling of the publication and book distribution businesses and, on 30 December 2005, it formed two companies, with the business names of Compañía de Distribución Integral de Publicaciones Logista, S.L. and Logista Libros, S.L., to which each of these business lines were contributed. On 1 February 2006, Compañía de Distribución Integral Logista, S.A. sold 25% of Compañía de Distribución Integral de Publicaciones Logista, S.L. to Editorial Planeta de Agostini, S.A. and 50% of Logista Libros, S.L. to Editorial Planeta, S.A.

On 24 July 2008, the Company was registered at the Mercantile Registry as a sole-shareholder company, the sole shareholder of which is Altadis, S.A. (see Note 10).

The Company is the head of a group of subsidiaries, and as such prepares separately consolidated financial statements under IFRSs. The consolidated financial statements of the Logista Group ("the Group") for 2011 will be formally prepared by the Company's directors at the Board of Directors Meeting scheduled for 21 December 2011. The consolidated financial statements for 2010 were approved by the Company's sole shareholder on 30 March 2010, and were filed at the Mercantile Registry of Madrid.

The consolidated financial statements, in comparison with these separate financial statements, reflect an increase in assets, reserves and profit of EUR 1,036,219 thousand, EUR 103,841 thousand, EUR 3,716,231 thousand and EUR 41,562 thousand, respectively (EUR 1,020,233 thousand, EUR 82,373 thousand, EUR 3,625,107 thousand and EUR 21,030 thousand, respectively, in 2010). However, this effect also includes the impact of applying IFRSs in the consolidated financial statements.

2. Basis of presentation of the financial statements

2.1 Regulatory financial reporting framework applicable to the Company

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

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

2.2 Fair presentation

The financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for the corresponding period. These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the sole shareholder, and it is considered that they will be approved without any changes. The financial statements for 2010 were approved by the sole shareholder on 30 March 2011.

2.3 Accounting principles applied

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

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

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

- The assumptions used in the actuarial calculation of pension and other obligations to employees (see Note 4.12)
- The useful life of property, plant and equipment and intangible assets (see Notes 4.1, 4.2 and 4.3)
- The estimate of possible impairment losses on certain assets (see Note 4.2).
- The calculation of provisions for contingencies (see Note 4.10)
- The calculation of allowances for financial assets (see Note 4.5.1)

Although these estimates were made on the basis of the best information available at 2011 year-end, events that cannot currently be foreseen might make it necessary to change these estimates (upwards or downwards) in the future.

2.5 Comparative information

On 24 September 2010, Royal Decree 1159/2010, of 17 September, was published in the Spanish Official State Gazette (BOE). This Royal Decree made certain amendments to the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, of 16 November, is applicable to separate financial statements for years beginning on or after 1 January 2010 and repeals other legislation of a similar or lower level of hierarchy that contravenes the provisions of Royal Decree 1159/2010.

The transition rules provided for in Royal Decree 1159/2010 did not have a material impact on the financial statements.

The information included in these notes to the financial statements for 2010 is presented for comparison purposes with that relating to 2011.

For the purposes of improving the presentation of its financial statements, in 2011 the Company reclassified excise duties chargeable on inventory items yet to be sold from "Sundry Accounts Receivable" to "Inventories" in the accompanying balance sheet. To facilitate comparison, the balance sheet for 2010, which is included for comparison purposes in the accompanying financial statements, was also reclassified in the same manner, and, accordingly, it differs from the balance sheet forming part of the 2010 financial statements, which were approved by the sole shareholder on 30 March 2011 by EUR 140,641 thousand.

2.6 Grouping of items

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

3. Distribution of profit

The proposed distribution of 2011 profit (EUR 50,603 thousand) that the Company's directors will submit for approval by its sole shareholder consists of a payment out of profit for the year of a dividend of EUR 1,1 per share and the assignment of the remainder of the profit obtained in the year to increase the "Voluntary Reserves" balance, the detail being as follows:

| | Thousands of Euros |
|-----------------------|-----------------------|
| To voluntary reserves | 1,631 |
| Dividends | 48,675 |
| Total | 50,306 |

4. Accounting policies and measurement bases

The principal accounting policies and measurement bases used by the Company in preparing its financial statements for 2011, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

Intangible assets relate to computer software and are measured at the costs incurred in the acquisition and development of computer programs, including website development costs. Computer software maintenance costs are recognised with a charge to the income statement for the period in which they are incurred. Computer software is amortised on a straight-line basis over an estimated useful life of between three and five years, depending on the characteristics of the programs.

4.2 Property, plant and equipment

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

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

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

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

| | Annual Depreciation Rate (%) |
|--|------------------------------------|
| Buildings | 2-4 |
| Plant and machinery | 12-16 |
| Other fixtures, tools and furniture | 8-16 |
| Other items of property, plant and equipment | 12-25 |

Impairment of intangible assets and property, plant and equipment

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

For the purposes of this impairment test, recoverable amount is the higher of fair value less the estimated costs to sell the asset and its value in use. Value in use is calculated based on estimated future cash flows, discounted at a rate that reflects the time value of money and the risks specifically associated with the asset. Fair value is the

amount obtainable from the disposal of the asset concerned in an arm's length transaction and is determined based on market information, external transactions, etc.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased up to the limit of the original amount at which the asset was recognised prior to the recognition of this impairment loss.

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

4.3 Investment property

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

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

4.4 Leases

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

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

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

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

4.5 Financial instruments

4.5.1 Financial assets

Trade receivables, loans and other accounts receivable

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

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

Guarantees and deposits are measured at the amounts paid.

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

Equity investments in Group companies, jointly controlled entities and associates

Group companies are deemed to be those related to the Company as a result of a relationship of control and associates are companies over which the Company exercises significant influence. Jointly controlled entities

include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

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

At each reporting date the Company carries out impairment tests if its investees present recurring losses.

Cash and cash equivalents

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

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

4.5.2 Financial liabilities

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

4.5.3 Equity instruments

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

4.6 Inventories

In general, inventories are measured at the lower of the price of the most recent invoice, which does not differ significantly from applying the FIFO formula (first-in, first-out), including the excise duty chargeable on inventory items yet to be sold in accordance with the Spanish Law (see Note 2.5), and net realisable value.

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

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

4.7 Transactions in currencies other than the euro

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

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

4.8 Income tax

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

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

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

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

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

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

The Company has the tax authorities' permission to file consolidated income tax and VAT returns, since it forms part of a consolidated tax Group, the Parent of which is its sole shareholder, Altadis, S.A.

4.9 Revenue and expense recognition

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

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

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

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

4.10 Provisions and contingencies

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

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

The financial statements at 30 September 2011 include all the provisions with respect to which it is considered likely that the obligation will have to be settled. Contingent liabilities are not always recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

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

4.11 Termination benefits

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

The accompanying balance sheet at 30 September 2011 includes the provisions that the Directors considered to be necessary to cater for the labour force restructuring plans in progress at year-end (see Note 11).

4.12 Pension and other obligations to employees

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

In general, the obligations acquired are defined contribution obligations and are externalised through external pension plans and insurance contracts. The contributions made by the Company, amounting to EUR 2,498 thousand and EUR 2,439 thousand in 2011 and 2010, respectively, are recognised under "Staff Costs" in the income statement (see Note 15.3).

Under the collective agreements currently in force, the Company is obliged to make a lump sum payment of a specific amount on the date of retirement and another payment on completion of 24 years of service at the Company, subject to compliance with certain conditions. Also, as a result of the court decision concerning the "free tobacco" benefit and the subsequent signing of the current collective labour agreement, the Company is obliged to make fixed monthly payments to a certain group of current employees and employees who retired prior to 1 January 2009. To cover its obligations to its retired employees in relation to the free tobacco benefit and the payment of the long-service bonuses, the Company recognised provisions based on the corresponding actuarial studies performed by independent experts using the projected unit credit method and PERM/F 2000P mortality tables, an inflation rate of 1.5% and an annual discount rate of 5.55% as the main assumptions (see Note 11).

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

The Company distributes the total amount of the estimated incentive for each block on a straight-line basis over three years and charges it to income. "Staff Costs" in the accompanying income statement for 2011 includes EUR 1,444 thousand in this connection (2010: EUR 1,746 thousand).

4.13 Joint ventures

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

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

4.14 Related party transactions

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

4.15 Environmental assets and liabilities

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

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

5. Intangible assets

The changes in "Intangible Assets" in the balance sheet in 2011 and 2010 were as follows:

2011

| | Thousands of Euros | | | |
|----------------------------------|---------------------|----------------------------------|----------------------|---------------------|
| | Balance at 30/09/10 | Additions or Charge for the Year | Transfers (Note 6.1) | Balance at 30/09/11 |
| Cost: | | | | |
| Computer software | 50,227 | 915 | 6,808 | 57,950 |
| | 50,227 | 915 | 6,808 | 57,950 |
| Accumulated amortisation: | | | | |
| Computer software | (40,086) | (4,156) | - | (44,242) |
| | (40,086) | (4,156) | - | (44,242) |
| Intangible assets, net | 10,141 | (3,241) | 6,808 | 13,708 |

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

2010

| | Thousands of Euros | | | |
|----------------------------------|---------------------|----------------------------------|----------------------|---------------------|
| | Balance at 30/09/09 | Additions or Charge for the Year | Transfers (Note 6.1) | Balance at 30/09/10 |
| Cost: | | | | |
| Computer software | 38,927 | 282 | 11,018 | 50,227 |
| | 38,927 | 282 | 11,018 | 50,227 |
| Accumulated amortisation: | | | | |
| Computer software | (30,588) | (3,775) | (5,723) | (40,086) |
| | (30,588) | (3,775) | (5,723) | (40,086) |
| Intangible assets, net | 8,339 | (3,493) | 5,295 | 10,141 |

At the end of 2011 and 2010 the Company had fully amortised intangible assets amounting to EUR 33,000 thousand and EUR 31,544 thousand, respectively.

6. Property, plant and equipment and investment property

6.1 *Property, plant and equipment*

The changes in "Property, Plant and Equipment" in the balance sheet in 2011 and 2010, and the most significant information affecting this heading were as follows:

2011

| | Thousands of Euros | | | | |
|---|------------------------|--|-----------|-----------------------|------------------------|
| | Balance at 30/09/10 | Additions or Charge for the Year | Disposals | Transfers (Note 5) | Balance at 30/09/11 |
| Cost: | | | | | |
| Land and buildings | 105,874 | 301 | - | 214 | 106,389 |
| Plant and machinery | 25,293 | 81 | (185) | 2,096 | 27,285 |
| Other fixtures, tools and furniture | 41,850 | 183 | (112) | 521 | 42,442 |
| Other items of property, plant and equipment | 43,434 | 2,592 | (25) | 5,131 | 51,132 |
| Property, plant and equipment in the course of construction | 10,860 | 16,282 | - | (14,770) | 12,372 |
| | 227,311 | 19,439 | (322) | (6,808) | 239,620 |
| Accumulated depreciation: | | | | | |
| Buildings | (45,673) | (2,122) | - | - | (47,795) |
| Plant and machinery | (19,765) | (1,084) | 185 | - | (20,664) |
| Other fixtures, tools and furniture | (22,868) | (2,986) | 112 | - | (25,742) |
| Other items of property, plant and equipment | (28,662) | (3,937) | 25 | - | (32,574) |
| | (116,968) | (10,129) | 322 | - | (126,775) |
| Property, plant and equipment, net | 110,343 | 9,310 | - | (6,808) | 112,845 |

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

Additions to "Other Items of Property, Plant and Equipment" relate mainly to the acquisition of various lottery ticket terminals acquired by the UTE Logista –GTECH.

The transfers in 2011 relate mainly to the reclassification of various computer software items that entered into use in 2011 from "Intangible Assets in Progress" to "Intangible Assets".

In 2011 the Company derecognised fully depreciated items of property, plant and equipment amounting to EUR 322 thousand, the sale of which gave rise to a gain of EUR 22 thousand.

2010

| | Thousands of Euros | | | | |
|---|------------------------|--|-----------|----------------|------------------------|
| | Balance at 30/09/09 | Additions or Charge for the Year | Disposals | Transfers | Balance at 30/09/10 |
| Cost: | | | | | |
| Land and buildings | 101,024 | - | - | 4,850 | 105,874 |
| Plant and machinery | 25,942 | 89 | (31) | (707) | 25,293 |
| Other fixtures, tools and furniture | 38,612 | 359 | - | 2,879 | 41,850 |
| Other items of property, plant and equipment | 41,307 | 8,419 | (3) | (6,289) | 43,434 |
| Property, plant and equipment in the course of construction | 10,418 | 7,019 | - | (6,577) | 10,860 |
| | 217,303 | 15,886 | (34) | (5,819) | 227,311 |
| Accumulated depreciation: | | | | | |
| Buildings | (43,587) | (2,112) | - | 26 | (45,673) |
| Plant and machinery | (18,432) | (1,364) | 31 | - | (19,765) |
| Other fixtures, tools and furniture | (20,333) | (3,009) | - | 474 | (22,868) |
| Other items of property, plant and equipment | (27,999) | (3,897) | 3 | 3,231 | (28,662) |
| | (110,351) | (10,382) | 34 | 3,706 | (116,968) |
| Property, plant and equipment, net | 106,952 | 5,504 | - | (2,113) | 110,343 |

The detail of the value of the land and buildings relating to the properties owned by the Company at the end of 2011 and 2010 is as follows:

| Property | Thousands of Euros | |
|--------------|--------------------|----------------|
| | 2011 | 2010 |
| Land | 25,476 | 25,476 |
| Buildings | 80,913 | 80,398 |
| Total | 106,389 | 105,874 |

The detail of the property, plant and equipment located outside Spain (at the Portugal branch) at 30 September 2011 and 2010 is as follows:

| | Thousands of Euros | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2011 | | 2010 | |
| | Gross Carrying Amount | Accumulated Depreciation | Gross Carrying Amount | Accumulated Depreciation |
| Land and buildings | 4,749 | (1,473) | 4,448 | (1,398) |
| Other fixtures, tools and furniture | 2,996 | (2,056) | 2,968 | (1,784) |
| Other items of property, plant and equipment | 1,187 | (1,165) | 1,423 | (910) |
| Total | 8,932 | (4,694) | 8,839 | (4,092) |

At the end of 2011 and 2010 the Company had fully depreciated items of property, plant and equipment, the detail being as follows:

| | Thousands of Euros | |
|--|-----------------------|---------------|
| | Gross Carrying Amount | |
| | 2011 | 2010 |
| Buildings | 25,217 | 25,217 |
| Plant and machinery | 14,758 | 14,163 |
| Other fixtures, tools and furniture | 10,030 | 9,918 |
| Other items of property, plant and equipment | 16,560 | 15,633 |
| Total | 66,565 | 64,931 |

At the end of 2011 the Company had yet to formalise the acquisition of a land lot in Alcalá de Guadaira (Seville), for which it paid an advance of EUR 4,671 thousand in 2005, which is recognised under "Property, Plant and Equipment in the Course of Construction". This formalisation is dependent upon the municipal authority executing the corresponding land development projects. The Company's directors have begun to take steps to ensure that the municipal authority meets its commitments.

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

6.2. Investment property

The Company's investment property relates to land and buildings located in Málaga (EUR 428 thousand) and Barcelona (EUR 92 thousand) not used in commercial operations, the sale of which is expected to give rise to gains, although there are no plans to sell them in the short term.

The 2011 and 2010 investment property depreciation charge amounted to EUR 14 thousand.

7. Leases

7.1. Operating lease expenses

As lessee the most significant lease entered into by the Company relates to an industrial building complex in Cabanillas del Campo (Guadalajara) which, in turn, has been partially subleased to the Group company Logista Libros, S.L. under the same lease-term and rent-review conditions. The lease commenced on 2 June 2008 and expires on 31 December 2015 and is automatically renewable for a further three five-year periods until 30 December 2030. The rent is reviewed annually in line with the CPI and gave rise to an expense of EUR 3,286 in 2011 (2010: EUR 3,283 thousand). In 2011 the related sublease gave rise to income of EUR 2,720 thousand (2010: EUR 2,760 thousand).

The amount of the lease and sublease payments recognised as an expense and as income, respectively, in 2011 and 2010 was as follows:

| | Thousands of Euros | |
|------------------------------------|--------------------|--------------|
| | 2011 | 2010 |
| Lease payments accrued (Note 15.4) | 11,357 | 12,240 |
| (Sublease payments) | (2,720) | (3,801) |
| Total, net | 8,637 | 9,159 |

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

| Minimum Operating Lease Payments | Thousands of Euros | |
|----------------------------------|--------------------|---------------|
| | Nominal Value | |
| | 2011 | 2010 |
| Within one year | 6,617 | 8,526 |
| Between one and five years | 15,701 | 26,160 |
| After five years | - | 10,960 |
| Total | 22,318 | 45,646 |

7.2. Income from operating leases

The rents recognised as income in 2011 and 2010 amounted to EUR 3,817 thousand and EUR 3,695 thousand, respectively.

As lessor, at the end of 2011 and 2010 the Company had entered into lease agreements which generate future collection rights on the following lease payments without considering increases in the CPI or other contractual lease payment revisions:

| Minimum Operating Lease Payments | Thousands of Euros | |
|----------------------------------|--------------------|--------------|
| | Nominal Value | |
| | 2011 | 2010 |
| Within one year | 3,156 | 2,392 |
| Between one and five years | 265 | 291 |
| After five years | - | - |
| Total | 3,421 | 2,683 |

8. Financial assets (non-current and current)

8.1 Non-current financial assets

The balance of "Non-Current Financial Assets" at the end of 2011 and 2010 includes mainly guarantees and deposits given to secure compliance with contractual obligations to third parties.

8.2 Non-current investments in Group companies and associates

The detail of "Non-Current Investments in Group Companies and Associates" at 30 September 2011 and 2010 is as follows:

| | Thousands of Euros | |
|--------------------|--------------------|----------------|
| | 2011 | 2010 |
| Equity instruments | 638,137 | 649,715 |
| Loans to companies | 33,600 | 42,400 |
| Total | 671,737 | 692,115 |

8.2.1. Equity instruments

The most significant information in relation to Group Companies and Associates at 2011 and 2010 year-end is as follows:

2011

| Company | Location | % of ownership | | Thousands of Euros | | | | | | | | | |
|--|----------------------|----------------|---------|-----------------------|-------------------------------|----------------------------|---------------------|--------------|--------------------|-----------------|--|------------------------|-------------------------------|
| | | | | Data on the companies | | | | | | Carrying Amount | | | |
| | | | | Share Capital | Profit (Loss) for the year | | Reserves and others | Total Equity | Dividends received | Cost | Impairment Loss Recognised in the Year | Accumulated Impairment | Long term Provision (Note 11) |
| | | | | | Profit (Loss) from operations | Profit (Loss) for the year | | | | | | | |
| MIDSID (Sociedade Portuguesa de Distribuição, SGPS, S.A.) | Alcochete (Portugal) | 100 | - | 844 | 2,842 | 1,212 | 1,896 | 3,952 | - | 4,166 | (556) | - | |
| Logista-Dis, S.A. | Madrid | 100 | - | 902 | 3,587 | 2,577 | 655 | 4,134 | - | 1,202 | - | - | |
| Dronas 2002, S.L. | Barcelona | 100 | - | 12,562 | 7,903 | 5,335 | 18,832 | 36,729 | - | 21,292 | - | - | |
| Logista France, S.A. | Tremblay (Francia) | 100 | - | 11,108 | 414 | (1,107) | (16,682) | (6,681) | - | 10,989 | (10,989) | - | |
| Logista Tptes. e Transitarios, Lda. | Sintra (Portugal) | 100 | - | 50 | (623) | (939) | 122 | (767) | - | 13,867 | (1,974) | (832) | |
| Logesta Gestión de Transportes, S.A. | Madrid | 100 | - | 1,000 | 1,146 | 1,042 | 3,587 | 5,629 | 500 | 4,510 | - | - | |
| Logista Italia, S.p.A | Roma (Italia) | 100 | - | 15,164 | 36,817 | 37,311 | 18,819 | 71,294 | - | 605,629 | - | - | |
| La Mancha 2000, S.A. | Madrid | 100 | - | 1,352 | 61 | 135 | 686 | 2,173 | - | 1,352 | - | - | |
| Logesta Polska Sp. Z.o.o. | Varsovia (Polonia) | 49 | 51 (**) | 226 | 245 | 129 | (752) | (397) | - | 128 | (128) | (199) | |
| Distribuidora del Noroeste, S.L. | Vigo | 49 | 51 (*) | 307 | 64 | 34 | 507 | 848 | - | 271 | - | (1,540) | |
| Compañía de Distribución Integral de Publicaciones Logista, S.L. | Madrid | 75 | - | 7,193 | (4,113) | (6,116) | 1,691 | 2,768 | 661 | 12,200 | (5,000) | - | |
| Logista Libros, S.L. | Madrid | 50 | - | 500 | 1,559 | 251 | 1,458 | 2,209 | - | 1,490 | (948) | - | |
| Compañía de Distribución Integral Logista Polska, Sp.Z.o.o. | Varsovia (Polonia) | 100 | - | 271 | 245 | (1,679) | (1,058) | (2,466) | - | 5,261 | (4,945) | (1,686) | |
| | | | | | | | | | | 682,357 | (13,551) | (44,220) | |
| | | | | | | | | | | | | (4,257) | |

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

(**) Held through Logesta Gestión de Transportes, S.A.

On 1 October 2010, the Company made a supplementary contribution of EUR 1,974 thousand to Logista Transportes e Transitarios, Lda. to enable it to repay a loan granted to it.

On 1 March 2011, the capital of Compañía de Distribución Integral de Publicaciones, S.L. was reduced by EUR 8,343 thousand to offset losses.

On 1 June 2011, the Company sold its 60% ownership interest in Logirest, S.L. for EUR 33. An allowance for the full amount of this ownership interest, the acquisition cost of which amounted to EUR 2,054 thousand, had been recognised on the date of the sale. Additionally, the Company had recognised a provision of EUR 257 thousand for contingencies and charges incurred in 2010, which was used with a charge to income on the sale date.

In 2011, the Company recognised impairment losses amounting to EUR 13,551 thousand on its investments classified under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying income statement.

2010

| Company | Location | % of ownership | | Thousands of Euros | | | | | | | | | |
|--|----------------------|----------------|---------|-----------------------|-------------------------------|----------------------------|--------------------|--------------|--------------------|---------|--|------------------------|-------------------------------|
| | | | | Data on the Companies | | | | | Carrying Amount | | | | |
| | | | | Share Capital | Profit (Loss) for the year | | Reserves and other | Total Equity | Dividends received | Cost | Impairment Loss Recognised in the Year | Accumulated Impairment | Long term Provision (Note 11) |
| | | | | | Profit (Loss) from operations | Profit (Loss) for the year | | | | | | | |
| MIDSID (Sociedade Portuguesa de Distribuição, SGPS, S.A.) | Alcochete (Portugal) | 100 | - | 844 | 1,265 | (1,918) | 4,105 | 3,031 | - | 4,166 | 327 | - | - |
| Logista-Dis, S.A. | Madrid | 100 | - | 902 | 2,296 | 1,452 | 658 | 3,012 | - | 1,202 | 299 | - | - |
| Dronas 2002, S.L. | Barcelona | 100 | - | 12,562 | 7,922 | 3,838 | 5,781 | 22,181 | - | 21,292 | - | - | - |
| Logista France, S.A. | Tremblay (Francia) | 100 | - | 11,108 | (2,010) | (1,801) | (15,360) | (6,053) | - | 10,989 | (3,671) | (10,989) | - |
| Logista Tptes. e Transitarios, Lda. | Sintra (Portugal) | 100 | - | 50 | (1,643) | (1,974) | 2,097 | 173 | - | 11,893 | (5,425) | (11,892) | - |
| Logirest, S.L. | Madrid | 60 | - | 466 | (175) | (176) | (718) | (428) | - | 2,054 | (950) | (2,054) | (257) |
| Logesta Gestión de Transportes, S.A. | Madrid | 100 | - | 1,000 | 1,249 | 549 | 3,587 | 5,136 | - | 4,510 | - | - | - |
| Logista Italia, S.p.A | Roma (Italia) | 100 | - | 15,164 | 32,671 | 31,693 | 19,282 | 66,139 | - | 605,629 | - | - | - |
| La Mancha 2000, S.A. | Madrid | 100 | - | 1,352 | 117 | 164 | 522 | 2,038 | - | 1,352 | - | - | - |
| Logesta Polska Sp. Z.o.o. | Varsovia (Polonia) | 49 | 51 (**) | 251 | 156 | 185 | (1,021) | (585) | - | 128 | - | - | - |
| Distribuidora del Noroeste, S.L. | Vigo | 49 | 51 (*) | 307 | 173 | 114 | 393 | 814 | - | 271 | - | (271) | (1.540) |
| Compañía de Distribución Integral de Publicaciones Logista, S.L. | Madrid | 75 | - | 15,536 | (3,591) | (4,819) | (3,704) | 7,013 | - | 12,200 | (5,518) | (7,200) | - |
| Logista Libros, S.L. | Madrid | 50 | - | 500 | 3,405 | 2,299 | (840) | 1,959 | - | 1,490 | - | - | - |
| Compañía de Distribución Integral Logista Polska, Sp. Z.o.o. | Varsovia (Polonia) | 100 | - | 271 | (1,449) | (1,944) | 799 | (874) | - | 5,262 | - | (317) | (3,258) |
| | | | | | | | | | | 682,438 | (14,938) | (32,723) | (5,055) |

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

(**) Held through Logesta Gestión de Transportes, S.A.

8.2.2. Loans to Group companies

"Loans to Group Companies" includes a loan of EUR 52,500 thousand granted to the investee Dronas 2002, S.L. against which EUR 18,900 thousand had been drawn down at 30 September 2011 (10,100 at 30 September 2010). The interest applied to this loan is the official ECB rate plus a spread of 2%, payable monthly. The loan matures on 31 December 2012, until which time advance payments may be made.

8.3 Current investments in Group companies and associates

"Current Investments in Group Companies and Associates" on the asset side of the balance sheet at 30 September 2011 and 2010 relates to loans granted to the sole shareholder and to other Group companies amounting to EUR 1,149 million and EUR 1,258 million, respectively (see Note 16.1).

These investments include the current account that the Company holds with Imperial Tobacco Enterprise Finance Limited, on which interest is paid by the latter at the European Central Bank interest rate, plus a 0.75% spread, pursuant to the agreement entered into by the two parties, which is automatically renewable every 30 September. The interest is payable on a quarterly basis. At 30 September 2011, the account payable on this current account is approximately EUR 30 million, which are recognised under "Payables to Group Companies and Associates" in the accompanying balance sheet. At 30 September 2010, the account receivable on this current account was approximately EUR 139 million (see Note 16.1).

On 1 October 2009, Logista, S.A. arranged to transfer its cash surpluses to Altadis, S.A., which bears interest tied to the European Central Bank official rate plus a spread of 0.75%. The balance of this current account at 30 September 2011 and 2010 was EUR 1,077 and EUR 1,056 million including interest (see Note 16.1).

This heading also includes a loan of EUR 13,190 thousand granted to Logista France, S.A.S. which was written down in full in 2011 in view of the directors' doubts with respect to its recoverability. This impairment was recognised under "Impairment and Gains or Losses on Disposals of Financial Instruments" in the accompanying income statement.

This heading also includes other loans to Group companies, which are detailed in Note 16.1.

8.4. Joint ventures

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

The main information relating to this joint venture, at 30 September 2011 and 2010, is as follows:

| | 2011 | | 2010 | |
|--------|-----------|---------------------------------|-----------|---------------------------------|
| | Total UTE | Total Attributed to the Company | Total UTE | Total Attributed to the Company |
| Assets | 60,410 | 30,205 | 20,786 | 10,393 |
| Loss | (29,536) | (14,768) | (23,923) | (11,961) |
| Sales | 10,594 | 5,297 | 1,490 | 745 |

The shareholders of Compañía de Distribución Integral Logista, S.A.U. and GTECH Global Lottery, S.L.U. Unión Temporal de Empresas granted the Company a loan through a monetary contribution borne on a 50/50 basis, which at 30 September 2011 amounted to EUR 63,712 thousand. The Company recognised an additional amount of EUR 15,928 thousand in this connection.

On 26 October 2010, Compañía de Distribución Integral Logista, S.A.U. and Indra Sistemas, S.A. formed, with ownership interests of 97% and 3% respectively, the unincorporated temporary joint venture called "Compañía de Distribución Integral Logista, S.A.U. and Indra Sistemas, S.A., Unión Temporal de Empresas, Ley 18/1982 de 26 de mayo, número 1", which is engaged in the provision of services for the Andalusian transport authority network. The assets and liabilities of this UTE, together with its results at the end of the reporting period were not significant at 30 September 2011.

8.5 Information on the nature and level of risk of financial instrumentss

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

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

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

On 1 January 2011, Law 42/2010, of 30 December, entered into force, amending Law 28/2005, of 26 December, on health measures against smoking and governing the sale, supply, consumption and advertising of tobacco products. This law imposes additional restrictions on the consumption of tobacco, with respect to those previously in force.

a. Credit risk:

The Company's principal financial assets are cash and cash equivalents and trade and other receivables, the latter two concentrating the risks of doubtful debts and past-due amounts. In general, the Company holds its cash and cash equivalents at banks with high credit ratings and controls the risks of doubtful debts and past-due amounts by setting credit limits and establishing stringent conditions with respect to collection periods.

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

The changes in impairment losses on trade receivables in 2011 and 2010 were as follows:

| | Thousands of Euros |
|---|-----------------------|
| Impairment loss at 30 September 2009 | 9,900 |
| Charge for the period | 1,667 |
| Transfers (Note 11) | (1,540) |
| Amount reversed | (247) |
| Impairment loss at 30 September 2010 | 9,780 |
| Charge for the year | 3,119 |
| Amount reversed | (924) |
| Impairment loss at 30 September 2011 | 11,975 |

b. Liquidity risk:

The Company had working capital deficiencies of EUR 378,063 thousand and EUR 209,876 thousand at 30 September 2011 and 2010, respectively.

In any case, to ensure liquidity and in order to meet all the payment obligations arising from its business activities, the Company's balance sheet includes the cash and the credit and financing facilities, including a short-term loan to Altadis, S.A. of EUR 1,077 thousand (2010: EUR 1,056 to Altadis, S.A. and EUR 139 million to Imperial Tobacco Enterprise Finance Limited), which are detailed in Note 16.1.

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

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

The level of exposure of equity and the income statement to the effects of future changes in the foreign currency exchange rates in force is not significant because the volume of the Group's transactions in currencies other than the euro is not material (see Note 14).

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

9. Inventories

The detail of "Goods Held for Resale" at 30 September 2011 and 2010 is as follows:

| | Thousands of Euros | |
|-----------------------------|--------------------|----------------|
| | 2011 | 2010 |
| Tobacco | 414,250 | 303,230 |
| Other goods held for resale | 21,146 | 15,314 |
| Advances to suppliers | 45 | 56 |
| Write-downs | (1,680) | (1,995) |
| | 433,761 | 316,605 |

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

| | Thousands of Euros |
|--|--------------------|
| Inventory write-down at 30 September 2009 | 1,076 |
| Charge for the year | 1,503 |
| Amount reversed | (584) |
| Inventory write-down at 30 September 2010 | 1,995 |
| Charge for the year | 1,467 |
| Amount reversed | (1,782) |
| Inventory write-down at 30 September 2011 | 1,680 |

The write-downs recognised under "Procurements" in the accompanying income statement for 2011 and 2010 were the result of tobacco inventories that were defective at year-end.

10. Equity and shareholders' equity

At 30 September 2011 and 2010, the Company's share capital amounted to EUR 26,550 thousand and was represented by 44,250,000 fully subscribed and paid shares of EUR 0.60 par value each, all of the same class. At 30 September 2011 and 2010, the Company's sole shareholder was Altadis, S.A.

Pursuant to Article 16 of the Consolidated Spanish Limited Liability Companies Law, on 24 July 2008 the Company registered its sole-shareholder status at the Mercantile Registry. The nature of the Company's transactions and agreements with its sole shareholder are detailed in Note 16.1.

10.1 Share premium

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

10.2 Legal reserve

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

At the end of 2011 the balance of this reserve had reached the legally required minimum.

10.3 Dividends

On 30 March 2011 the sole shareholder resolved to distribute a dividend of EUR 0.98 per share out of 2010 profit, the total amount of the dividend distributed being EUR 43,365 thousand.

Additionally, on 30 March 2011 the sole shareholder resolved to distribute an additional dividend of EUR 4.39 per share with a charge to voluntary reserves. The total additional dividend paid was EUR 194,257 thousand.

11. Provisions

The detail of the provisions in the balance sheet at 2011 and 2010 year-end and of the main changes therein during the years is as follows:

2011

| Long-Term Provisions | Thousands of Euros | | | | |
|--|------------------------|--------------|-------------------------------|--------------|------------------------|
| | Balance at 30/09/10 | Additions | Amounts Used/ Reversals | Transfers | Balance at 30/09/11 |
| Provision for excise duties | 95,088 | 4,055 | - | - | 99,143 |
| Provision for customs duty assessments | 11,406 | 488 | (3,000) | - | 8,894 |
| Employee benefit obligations (Note 4.12) | 5,540 | - | - | - | 5,540 |
| Other provisions for employees | 1,362 | - | - | (493) | 869 |
| Other provisions for contingencies and charges | 8,228 | 1,034 | (1,594) | - | 7,668 |
| | 121,624 | 5,577 | (4,594) | (493) | 122,114 |

| Short-Term Provisions | Thousands of Euros | | | | |
|--|---------------------|--------------|-------------------------|------------|---------------------|
| | Balance at 30/09/10 | Additions | Amounts Used/ Reversals | Transfers | Balance at 30/09/11 |
| Employee benefit obligations (Note 4.12) | 379 | 216 | (242) | - | 353 |
| Provisions for restructuring costs (Note 4.11) | 6,949 | 1,034 | (1,512) | 493 | 6,964 |
| Other provisions for employees | 293 | - | (293) | - | - |
| Other provisions for contingencies and charges | 1,498 | 48 | - | - | 1,546 |
| | 9,119 | 1,298 | (2,047) | 493 | 8,863 |

2010

| Long-Term Provisions | Thousands of Euros | | | | |
|--|---------------------|---------------|-------------------------|--------------|---------------------|
| | Balance at 30/09/09 | Additions | Amounts Used/ Reversals | Transfers | Balance at 30/09/10 |
| Provision for excise duties | 52,241 | 42,847 | - | - | 95,088 |
| Provision for customs duty assessments | 11,084 | 322 | - | - | 11,406 |
| Employee benefit obligations (Note 4.12) | 5,040 | 500 | - | - | 5,540 |
| Other provisions for employees | 1,366 | - | (4) | - | 1,362 |
| Other provisions for contingencies and charges | 6,666 | 426 | (404) | 1,540 | 8,228 |
| | 76,397 | 44,095 | (408) | 1,540 | 121,624 |

| Short-Term Provisions | Thousands of Euros | | | |
|--|---------------------|--------------|-------------------------|---------------------|
| | Balance at 30/09/09 | Additions | Amounts Used/ Reversals | Balance at 30/09/10 |
| Employee benefit obligations (Note 4.12) | 386 | 200 | (207) | 379 |
| Provisions for restructuring costs (Note 4.11) | 7,610 | 1,543 | (2,204) | 6,949 |
| Other provisions for employees | 293 | - | - | 293 |
| Other provisions for contingencies and charges | 3,398 | - | (1,900) | 1,498 |
| | 11,687 | 1,743 | (4,311) | 9,119 |

Provision for tobacco excise duties and customs duty assessments

The Company had recognised provisions for the tax assessments arising as a result of the tax inspections performed by the Spanish customs authorities as regards the settlement of the excise duties on tobacco products for 2004, 2005 and 2006. Since these assessments arose due to a change in the view taken hitherto by the authorities to differentiate between tax warehouses and consumption warehouses, the Company signed in disconformities these assessments and filed an appeal against them. In the event that the outcome of these appeals is not favourable, the Company recognised provisions to cover payment of deficiency and late-payment interest amounting to EUR 99,143 thousand. Also, since the date these assessments were issued, the Company recognised EUR 8,654 thousand in relation to the necessary late-payment interest, of which EUR 4,055 thousand were recognised in the accompanying income statement for 2011 (2010: EUR 2,669 thousand).

The Company was issued assessments by the Customs Inspection Authorities for adjustments in the figure for unpaid amounts relating to tariffs and VAT on imports for the years 2000 and 2002 and for the first half of 2003. The total amount of the deficiency, interest and penalty in these assessments is EUR 7,300 thousand. The Company has filed two separate appeals against portions of this amount at the Central Economic-Administrative Tribunal, National Court and Supreme Court and the Catalonia High Court, respectively. The amount was provisioned in full at 30 September 2011. Since the date these assessments were issued, the Company has

recognised EUR 1,594 thousand in relation to the necessary late-payment interest, of which EUR 488 thousand were recognised in the accompanying income statement for 2011 (2010: EUR 322 thousand).

In 2011 the Catalonia High Court handed down various final judgments relating to a portion of the aforementioned tax assessments totalling EUR 3,000 thousand, finding for the Company, which as a result released the provision it had made and recognised income under "Other Gains and Losses" in the accompanying income statement (See Note 15.5).

Provision for employee benefit obligations

This account includes the present value of the Company's long-service bonuses and "free tobacco" benefit (see Note 4.12). In 2011 and 2010 period provisions of EUR 216 thousand and EUR 700 thousand, respectively, were recognised in this connection.

Provisions for restructuring costs

In 2011 provisions of EUR 1,304 thousand were recognised for restructuring programmes that the Company's directors intend to carry out.

Also, in 2011 the Company paid termination benefits of EUR 1,512 thousand from a provision recognised for this purpose.

At 31 December 2011, the provisions recognised for restructuring costs amounted to EUR 6,964 thousand and covered the restructuring programmes intended to carry out.

Other provisions for contingencies and charges

At 30 September 2011 and 2010 the balance of this account includes the provisions to cover the risk of various ongoing lawsuits between the Company and third parties.

This accounting line also includes provisions of EUR 4,257 thousand for equity instruments held at companies with an equity deficit at 30 September 2011 (2010: EUR 5,055 thousand).

12. Non-current payables

The detail of "Non-Current Payables" at 30 September 2011 and 2010 is as follows:

| | Thousands of Euros | |
|---------------------------------|--------------------|--------------|
| | 2011 | 2010 |
| Loans | 570 | 1,139 |
| Non-current guarantees received | 422 | 412 |
| Total | 992 | 1,551 |

The account "Loans" includes two interest-free loans granted by the Ministry of Industry on 14 December 2006 with a two-year grace period. These loans, initially of EUR 1,414 thousand and EUR 1,450 thousand, respectively, are repayable in equal instalments within five years and are assigned to investments in computer software development projects. These two loans will mature in 2013.

13. Tax matters

13.1 Current tax receivables and payables

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

Tax receivables

| | Thousands of Euros | |
|-------------------------------------|--------------------|--------------|
| | 2011 | 2010 |
| Income tax | 485 | 303 |
| Canary Islands general indirect tax | - | 1,883 |
| Other tax receivables | 603 | 1,709 |
| Total | 1,088 | 3,895 |

Tax payables

| | Thousands of Euros | |
|---------------------------------------|--------------------|----------------|
| | 2011 | 2010 |
| Income tax | 3,953 | - |
| Excise duties on tobacco products | 667,074 | 696,462 |
| VAT | 204,361 | 192,850 |
| Canary Islands general indirect tax | 492 | |
| Personal income tax withholdings | 1,029 | 1,226 |
| Accrued social security taxes payable | 3,628 | 3,677 |
| Other tax payables | 9,831 | 8,612 |
| Total | 890,368 | 902,827 |

13.2 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:

2011

| | Thousands of Euros | | |
|--|--------------------|----------|---------------|
| | Increase | Decrease | Amount |
| Accounting profit before tax | | | 61,827 |
| Permanent differences: | | | |
| Out-of-pocket expenses and other non-deductible expenses | 54 | - | 54 |
| Penalties and surcharges | 18 | - | 18 |
| Group dividend elimination (Note 16.1) | - | (30,555) | (30,555) |
| Others | 5,000 | - | 5,000 |
| Adjusted taxable profit | | | 36,344 |
| Temporary differences: | | | |
| Provision for employee benefit obligations | 422 | (243) | 179 |
| Provision for non-deductible early retirement benefits | 785 | (1,243) | (458) |
| Joint venture losses (Note 8.4) | 14,768 | (16,934) | (2,166) |
| Impairment loss recognised on investment securities | 15,795 | (891) | 14,904 |
| Amortisation of goodwill | - | (28,201) | (28,201) |
| Taxable profit | | | 20,602 |
| Tax charge (30% of taxable profit) | | | 6,181 |
| Tax credits and tax relief | | | (1,906) |
| Withholdings and prepayments | | | (322) |
| Tax receivable | | | 3,953 |

2010

| | Thousands of Euros | | |
|--|--------------------|----------|---------------|
| | Increase | Decrease | Amount |
| Accounting profit before tax | | | 42,766 |
| Permanent differences: | | | |
| Out-of-pocket expenses and other non-deductible expenses | 65 | - | 65 |
| Penalties and surcharges | 20 | - | 20 |
| Group dividend elimination (Note 16.1) | - | (26,651) | (26,651) |
| Others | 5,518 | (295) | 5,223 |
| Adjusted taxable profit | | | 21,423 |
| Temporary differences: | | | |
| Provision for employee benefit obligations | 200 | - | 200 |
| Provision for non-deductible early retirement benefits | 1,929 | (5,492) | (3,563) |
| Joint venture losses (Note 8.4) | 11,317 | - | 11,317 |
| Impairment loss recognised on investment securities | 6,227 | - | 6,227 |
| Amortisation of goodwill | - | (28,201) | (28,201) |
| Taxable profit | | | 7,403 |
| Tax charge (30% of taxable profit) | | | 2,221 |
| Tax credits and tax relief | | | (2,830) |
| Withholdings and prepayments | | | (303) |
| Tax receivable | | | 303 |

The permanent differences in 2011 relate mainly to the elimination of dividends received from Logista Italia, S.p.A. in order to avoid double taxation and to the elimination of the provision for losses in company group which are included in the income tax consolidation group.

The decrease in timing differences was due to the use of provisions which had not been treated as tax-deductible in prior years. Additionally, the Company has been reducing its taxable profit annually by one-twentieth of the amount of the implicit goodwill in the acquisition price of its foreign subsidiaries; these reductions are treated as temporary differences.

The timing differences that increased the tax base were mainly due to the free tobacco provision (see Note 11), to the impairment loss recognised on investment securities (see Note 8.2), to the provision for employee benefit obligations (see Note 11) and to the provision for restructuring costs (see Note 11) And to the different timing of the recognition of the results of the unincorporated temporary joint ventures for tax and accounting purposes (see Note 8.4).

13.3 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 | |
|---|--------------------|---------------|
| | 2011 | 2010 |
| Accounting profit for the year before tax | 61,827 | 42,766 |
| Permanent differences | (25,483) | (21,343) |
| Adjusted taxable profit | 36,344 | 21,423 |
| Tax charge (30% of taxable profit) | 10,903 | 6,427 |
| Other impacts | 1,163 | 2,830 |
| Tax credits and tax relief | (1,906) | (2,830) |
| Adjustments to prior year's income tax | 1,361 | 608 |
| Positive adjustments to the income tax | - | (7,874) |
| Income tax expense | 11,521 | (839) |

14.4 Breakdown of income tax expense

The breakdown of the income tax expense is as follows:

| | Thousands of Euros | |
|--|--------------------|--------------|
| | 2011 | 2010 |
| Current tax | 6,799 | 11,241 |
| Deferred tax | 4,722 | (4,206) |
| Positive adjustments to the income tax | - | (7,874) |
| Income tax expense | 11,521 | (839) |

13.5 Deferred tax assets

The detail of "Deferred Tax Assets" at 30 September 2011 and 2010 is as follows:

| | Thousands of Euros | |
|--|--------------------|---------------|
| | 2011 | 2010 |
| Provisions for employees | 3,111 | 3,195 |
| Impairment loss on investment securities | 10,729 | 6,258 |
| Provisions for third-party liability | 3,570 | 3,570 |
| Joint venture losses | 2,745 | 3,395 |
| Other | 661 | 826 |
| Total deferred tax assets | 20,817 | 17,244 |

14.6 Deferred tax liabilities

The detail of "Deferred Tax Liabilities" at 30 September 2011 and 2010 is as follows:

| | Thousands of Euros | |
|---------------------------------------|--------------------|---------------|
| | 2011 | 2010 |
| Goodwill – Italy | 56,776 | 48,316 |
| Total deferred tax liabilities | 56,776 | 48,316 |

The Company has been reducing its taxable profit annually by one-twentieth of the amount of the implicit goodwill in the acquisition price of its subsidiary in Italy; these reductions are treated as temporary differences.

13.7 Tax credit carryforwards

At 30 September 2011, the Company did not have any tax credit carryforwards. At 30 September 2010 tax credit carryforwards amounted to EUR 1,088 thousand, all of which were earned in 2010.

13.8 Years open for review and tax audits

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired. At 2011 year-end the Company had the last five years open for review for income tax, since 2009 for customs duties, since 2008 for excise duties, and the remaining four years for the other taxes applicable to it.

In November 2011, the Company received notice of the outcome of the tax audit in process for excise duty settlements for 2007. As a result of this audit, tax assessments amounting to EUR 4,337 thousand, including interest of EUR 940 thousand, were signed on a contested basis and will be appealed.

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.

14. Balances and transactions in currencies other than the euro

In 2011 and 2010 there were no significant transactions in different from Euro currency and the Company had no significant balances in currencies other than the euro at 30 September 2011 and 2010.

The Company is the sole shareholder of Compañía de Distribución Integral Logista Polska, Sp. z.o.o. and has a 100% shareholding in Logesta Polska Sp. z.o.o., whose official currency is the zloty. The net investment in these companies at 30 September 2011 and 2010 is as described in Note 8.2.1.

15. Income and expenses

15.1 Revenue

The breakdown, by business line and geographical market, of the Company's revenue for 2011 and 2010 is as follows:

| Line of Business | Thousands of Euros | |
|-------------------------|--------------------|------------------|
| | 2011 | 2010 |
| Tobacco | 1,628,715 | 1,894,886 |
| Stamps | 193,851 | 213,148 |
| Other logistics revenue | 126,994 | 105,542 |
| Rendering of services | 35,242 | 28,025 |
| Total | 1,984,802 | 2,241,601 |

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

Sales in Portugal amounted to EUR 66,310 thousand and EUR 51,890 thousand in 2011 and 2010, respectively.

Revenue from the provision of transport logistics services outside Spain amounted to EUR 12,162 thousand and EUR 13,055 thousand in 2011 and 2010, respectively.

The remaining revenue relates to transactions in the Spanish market.

15.2 Procurements

The detail of "Procurements" in 2011 and 2010 is as follows:

| | Thousands of Euros | |
|--|--------------------|------------------|
| | 2011 | 2010 |
| Cost of goods held for resale used: | | |
| Purchases | 1,717,362 | 1,973,350 |
| Changes in inventories | 2,867 | 6,516 |
| Total | 1,720,229 | 1,979,866 |

The detail, by origin, of the purchases made by the Company in 2011 and 2010 is as follows:

| | Thousands of Euros | |
|--------------|--------------------|------------------|
| | 2011 | 2010 |
| Spain | 1,314,438 | 1,541,573 |
| EU countries | 96,088 | 72,463 |
| Imports | 306,836 | 359,314 |
| Total | 1,718,323 | 1,973,350 |

15.3 Staff costs

The detail of the balance of "Staff Costs" in 2011 and 2010 is as follows:

| | Thousands of Euros | |
|---|--------------------|---------------|
| | 2011 | 2010 |
| Wages, salaries and similar expenses | 46,334 | 45,432 |
| Severance | 4,612 | 2,317 |
| Pension plans contributions (Note 4.12) | 2,498 | 2,439 |
| Employee benefit costs | 13,308 | 13,598 |
| Provisions (Note 11) | 1,250 | 700 |
| Total | 68,002 | 63,786 |

The average number of employees in 2011 and 2010, by category, was as follows:

| Category | Average Number of Employees | |
|-----------------------------------|-----------------------------|--------------|
| | 2011 | 2010 |
| Executives | 19 | 18 |
| Line personnel and clerical staff | 507 | 503 |
| Messengers and other | 587 | 643 |
| Total | 1,113 | 1,164 |

The Company's headcount at 30 September 2011 and 2010, by category and gender, was as follows:

2011

| | Number of Employees | | | |
|-----------------------------------|---------------------|------------|------------|-----------|
| | Permanent | | Casual | |
| | Men | Women | Men | Women |
| Executives | 17 | 1 | - | - |
| Line personnel and clerical staff | 274 | 204 | 9 | 20 |
| Messengers and other | 337 | 158 | 66 | 30 |
| Total | 628 | 363 | 75 | 50 |
| TOTAL | 991 | | 125 | |

2010

| | Number of Employees | | | |
|-----------------------------------|---------------------|------------|------------|------------|
| | Permanent | | Casual | |
| | Men | Women | Men | Women |
| Executives | 17 | 2 | - | - |
| Line personnel and clerical staff | 275 | 202 | 10 | 23 |
| Messengers and other | 361 | 165 | 109 | 113 |
| Total | 653 | 369 | 119 | 136 |
| TOTAL | 1,022 | | 255 | |

Senior management

The remuneration earned in 2011 and 2010 by the members of the Company's Management Committee amounted to EUR 2,132 thousand and EUR 2,688 thousand, respectively, and included the remuneration received by certain executives who are also members of the Company's Board of Directors. The aforementioned amounts include amounts paid to the Management Committee in 2011 and 2010 in relation to the incentives plan described in Note 4.12.

The contributions made by the Company to pension plans for the members of the Company's Management Committee, amounted to EUR 236.3 thousand and EUR 210,8 thousand in 2011 and 2010, respectively.

15.4 Outside services

The detail of the balance of "Outside Services" in 2011 and 2010 is as follows:

| | Thousands of Euros | |
|-----------------------------------|--------------------|----------------|
| | 2011 | 2010 |
| Transport | 50,181 | 47,109 |
| Sundry services | 17,229 | 14,380 |
| Independent professional services | 28,374 | 25,627 |
| Rent and royalties (Note 7.1) | 11,357 | 12,240 |
| Utilities | 7,603 | 6,347 |
| Repairs and upkeep | 5,370 | 5,120 |
| Insurance premiums | 3,600 | 3,088 |
| Other expenses | 5,204 | 5,170 |
| Total | 128,918 | 119,081 |

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

In 2011 and 2010 the fees for financial audit services provided to the Company by the principal auditor and by other firms related to the principal auditor amounted to EUR 202 thousand and EUR 219 thousand, respectively.

In 2011 and 2010 the principal auditor and other firms related to the principal auditor also provided other professional verification and consulting services to the Company amounting to EUR 155 and EUR 9 thousand, respectively.

15.5 Other gains or losses

The balance of "Other Gains or Losses" in 2011 is as follows:

| | Thousands of Euros | |
|---|--------------------|---------------|
| | 2011 | 2010 |
| Provisions additions/reversal (Note 11) | 3,000 | (30,846) |
| Others | (382) | 4,071 |
| | 2,618 | 26,777 |

The review of the excise duty settlements on tobacco products for 2006 carried out by the Spanish customs authorities at the Company with respect to its main warehouses concluded in 2010. This review gave rise to assessments totalling EUR 30,846 thousand (excluding penalties and interest), which were recognised under "Other Gains and Losses" in 2010.

16. Related party transactions and balances

16.1 Related party balances

At 30 September 2011 and 2010, the balances with Group companies, associates and related companies were as follows:

2011

| | Thousands of Euros | | | |
|--|--------------------------------------|-------------------------------------|-----------------------------------|----------------------------------|
| | Commercial Accounts Receivable | Financial Accounts Receivable | Commercial Accounts Payable | Financial Accounts Payable |
| Parents: | | | | |
| Imperial Tobacco Overseas Holding | 18 | - | 142 | - |
| Imperial Tobacco Enterprise Finance Limited | - | - | - | 30,291 |
| Altadis, S.A. | - | 1,076,558 | 34,886 | 3,607 |
| Other Group companies and associates: | | | | |
| Altadis Distribution France | 3,991 | | | |
| Distribuidora de Publicaciones del Sur, S.A. | 502 | - | - | - |
| Dronas 2002, S.L. | 1,757 | 10,495 | 4,230 | - |
| Logista-Dis, S.A. | 916 | 1,990 | 8,600 | - |
| Logesta Gestión del Transporte, S.A | 320 | 3,627 | 6,738 | - |
| T-2 Opellog, S.A. | 180 | 445 | 13 | - |
| Sociedade Portuguesa de Distribuição, S.A. (Midsid) | 81 | 30,200 | - | - |
| Logista Italia, S.p.A. | 148 | - | - | 1,070,511 |
| Distribuidora del Noroeste, S.A. | 7 | 1,529 | - | - |
| La Mancha 2000, S.A. | - | 58 | 36 | 2,678 |
| Compañía de Distribución Integral de Publicaciones Logista, S.L. | 1,303 | - | - | 1,523 |
| Logista Libros, SL. | 183 | - | 9 | - |
| Logista Transportes e Transitarios, Lda. | 8 | 5,110 | 190 | - |
| Logista France, S.A.S | - | - | 138 | - |
| Compañía de Distribución Integral Logista Polska, Sp Zoo | 195 | 3,266 | - | - |
| T-2 Gran Canaria Transporte, S.A. | 4 | 56 | 144 | - |
| Other | 7,750 | 16,025 | 15,543 | 16,786 |
| Total | 17,363 | 1,149,359 | 70,669 | 1,125,396 |

2010

| | Thousands of Euros | | | |
|--|--------------------------------------|-------------------------------------|-----------------------------------|----------------------------------|
| | Commercial Accounts Receivable | Financial Accounts Receivable | Commercial Accounts Payable | Financial Accounts Payable |
| Parents: | | | | |
| Imperial Tobacco Overseas Holding | - | - | 3,508 | - |
| Imperial Tobacco Enterprise Finance Limited | - | 138,963 | - | - |
| Altadis, S.A. | 4,389 | 1,055,807 | 46,328 | - |
| Other Group companies and associates: | | | | |
| Distribuidora de Publicaciones del Sur, S.A. | 457 | - | - | 41 |
| Dronas 2002, S.L. | 2,652 | 6,500 | 4,129 | - |
| Logista-Dis, S.A. | 1,168 | - | 8,651 | - |
| Logesta Gestión del Transporte, S.A | 202 | 6,132 | 7,070 | - |
| Logirest, S.L. | 6,509 | - | 6,466 | - |
| T-2 Opellog, S.A. | 323 | - | 13 | 378 |
| Sociedade Portuguesa de Distribuição, S.A. (Midsid) | 3,402 | 22,500 | - | - |
| Logista Italia, S.p.A. | 144 | - | - | 996,863 |
| Distribuidora del Noroeste, S.A. | 5 | 1,515 | 1 | - |
| La Mancha 2000, S.A. | 1 | 111 | 31 | 2,533 |
| Compañía de Distribución Integral de Publicaciones Logista, S.L. | 828 | 801 | - | 2,702 |
| Logista Libros, SL. | 141 | 5,945 | 17 | - |
| Logista Transportes e Transitarios, Lda. | - | 4,685 | - | - |
| Logista France, S.A.S | - | 6,811 | - | - |
| Compañía de Distribución Integral Logista Polska, Sp Zoo | 326 | 1,795 | - | - |
| T-2 Gran Canaria Transporte, S.A. | 37 | 30 | 185 | 24 |
| Other | 5,115 | 6,596 | 11,313 | 2,044 |
| Total | 25,699 | 1,258,191 | 87,712 | 1,004,585 |

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

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

On 1 October 2008, the loan from Logista Italia, S.p.A., renewable for 12-month periods, was renewed until 30 December 2009. The applicable interest rate is that established by the European Central Bank plus a spread of 0.75%. The amounts payable at 30 September 2011 and 2010 were EUR 1,070,511 thousand and EUR 996,863 thousand, respectively. The interest on this loan charged to the accompanying income statement in 2011 and 2010 amounted to EUR 18,601 thousand and EUR 15,501 thousand, respectively.

The financial relations framework agreement with Tobacco Enterprise Finance Limited was initially in force until 30 September 2010. The interest relating to reciprocal cash transfers under this agreement is paid at the European Central Bank rate, plus a spread of 0.75%. This agreement is automatically renewable every 30 September and the interest is payable on a quarterly basis.

Since 1 October 2009, Logista, S.A. arranged a loan with Altadis, S.A., which bears interest tied to the European Central Bank official rate plus a spread of 0.75%. Since that date, this agreement has been renewed on an annual basis.

The interests charged to the accompanying income statement during 2011 for these two loans amount to EUR 24,526 thousand (2010: EUR 20,844 thousand).

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

The dividends received by the Company in 2011 and 2010 from its equity interests in Group companies were as follows:

| | Thousands of Euros | |
|------------------------|--------------------|---------------|
| | 2011 | 2010 |
| Logista Italia, S.p.A. | 30,555 | 26,651 |
| Logista Dis, S.A. | 1,395 | 1,000 |
| Logesta, S.A. | 549 | - |
| Total | 32,499 | 27,651 |

16.2 Transactions with related parties

The detail of the transactions (purchases and sales of merchandise, provision of services, etc.) carried out by the Company with Group companies and associates, with its sole shareholder and with related parties in 2011 and 2010 is as follows:

2011

| | Thousands of Euros | | | | |
|---|--------------------|------------------|--------------------------|----------------|---------------|
| | Sales | Procurements | Other Operating Expenses | Finance Income | Finance Costs |
| Transactions with the sole shareholder: | | | | | |
| Altadis, S.A. | 8,182 | (446,760) | (366) | 20,761 | - |
| Altadis Group companies | 7 | - | - | - | - |
| Imperial Tobacco Overseas Holding | 1,452 | (22,859) | - | - | - |
| Imperial Tobacco Group companies | 2,589 | (33,723) | - | 3,765 | - |
| With Group companies and associates | 66,771 | (845) | (55,168) | 8,102 | 21,169 |
| | 79,001 | (504,187) | (55,534) | 32,628 | 21,169 |

2010

| | Thousands of Euros | | | | |
|---|--------------------|------------------|--------------------------|----------------|-----------------|
| | Sales | Procurements | Other Operating Expenses | Finance Income | Finance Costs |
| Transactions with the sole shareholder: | | | | | |
| Altadis, S.A. | 9,855 | (538,758) | (164) | 18,527 | - |
| Altadis Group companies | 848 | - | - | - | - |
| Imperial Tobacco Overseas Holding | 104 | - | - | - | - |
| Imperial Tobacco Group companies | 391 | (29,550) | - | 2,317 | - |
| With Group companies and associates | 56,583 | (945) | (45,645) | 6,440 | (15,852) |
| | 67,781 | (569,253) | (45,809) | 27,284 | (15,852) |

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

1. Distribution, storage and delivery of tobacco throughout the network of tobacco and stamp agencies.
2. Shipment of leaf tobacco from ports and depots to factories, of cigarettes and cigars from factories to warehouses and export of the aforementioned products.
3. Reception, storage, maintenance and shipment of confiscated contraband tobacco products and destruction, return or disposal thereof where legally permitted.

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

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

"Other Operating Expenses" includes services provided by various Logista Group companies to Logista, S.A.

"Finance Income" relates mainly to dividends received from investees and interest earned on short-term loans granted to these companies (see Note 17.1.).

16.3 Remuneration of directors

The remuneration received in 2011 by the members of the Company's Board of Directors for discharging their functions as directors in all respects, amounted to EUR 362 thousand (2010: EUR 301 thousand).

In 2011 and 2010 the Company did not carry out any transactions with its directors not relating to its ordinary business operations or transactions not carried out on an arm's length basis.

All the directors are male, except for one female.

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

Pursuant to Article 229 of the Spanish Capital Companies Law, in order to reinforce the transparency of companies, following is a detail of the companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Compañía de Distribución Integral Logista, S.A. in which the members of the Board of Directors own or owned equity interests in 2011, and of the functions, if any, that they discharge thereat:

| Owner | Investor | Line of Business | Ownership Interest | Functions |
|------------------------------|------------------------|---------------------|--------------------|--|
| D. José Riva Francos | Vapores Suardiaz | Transport | 15% | Vicechairman and Chairman of the Board |
| D ^a Alison Cooper | Imperial Tobacco Group | Tobacco manufacture | 130,187 shares | C.E.O. |
| D. Luis Egido Gálvez | Imperial Tobacco Group | Tobacco manufacture | 40,782 shares | General Manager, Logistics Business |
| D. Kenneth Hill | Imperial Tobacco Group | Tobacco manufacture | Less than 0.01% | Special projects manager |
| D. Nicholas Keveth | Imperial Tobacco Group | Tobacco manufacture | 19,019 shares | Accounting, budgets and tax manager |
| D. Conrad Tate | Imperial Tobacco Group | Tobacco manufacture | Less than 0.01% | Corporate Development manager |

Also, in accordance with the aforementioned Law, following is a detail of the activities carried out by the Company's directors in 2011 that are identical, similar or complementary to the activity that constitutes the company object of Compañía de Distribución Integral Logista, S.A.:

| Name | Activity Performed | Type of Arrangement under which the Activity is Performed | Company through which the Activity is Performed | Position held or Function Discharged at the Company Concerned |
|--------------------------------------|--------------------------------------|---|---|---|
| D. Luis Egido Gálvez | Tobacco manufacture | Employee | Altadis, S.A. | Logistics unit general manager |
| | Tobacco manufacture and distribution | Employee | Altadis Maroc | Chairman of the Board |
| | Distribution | Employee | Logista Italia, S.p.A. | Chairman |
| | Distribution | Employee | Logista Portugal (Sucursal) | Legal Representative |
| | Distribution | Employee | T2 Opellog, S.A. | Chairman |
| | Transport | Employee | Dronas 2002, S.L. | Chairman |
| D. Kenneth Hill | Tobacco manufacture | Employee | Commonwealth Brands | Chairman of the Board |
| | Vending machines manufacture | Employee | Sinclair Collins | Chairman of the Board |
| D. Gregorio Marañón y Bertrán de Lis | Tobacco manufacture | Employee | Altadis, S.A. | Chairman of the Board |
| D. Rafael de Juan López | Transport | Employee | Dronas 2002, S.L. | Chairman of the Board |
| | Distribution | Employee | T2 Opellog, S.A. | Chairman of the Board |
| | Distribution | Employee | Logista Italia, S.p.A. | Chairman of the Board |
| | Distribution | Employee | Logista Publicaciones, S.L. | Chairman |
| D. Conrad Tate | Tobacco manufacture and sale | Employee | Reemtsma Cigaretten Fabriken GmbH | Supervising Board Member |

16.5 Financial structure

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

17. Guarantee commitments to third parties and other contingent liabilities

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

| | Thousands of Euros |
|---|--------------------|
| Tax authorities | 218,996 |
| Guarantee provided in business dealings | 11,145 |
| Lawsuits and penalties | 7,946 |
| | 238,087 |

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

18. Disclosures on the payment periods to suppliers. Additional Provision Three “Disclosure obligation” provided for in Law 15/2010, of 5 July

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

| | Amounts Paid and Payable at Year-End | | | |
|---|--------------------------------------|-------------|------------------|-------------|
| | 2011 | | 2010 | |
| | Amount | % | Amount | % |
| Paid within the maximum payment period | 2,546,224 | 99.54% | 2,734,412 | 99.63% |
| Remainder | 11,694 | 0.46% | 10,226 | 0.37% |
| Total payments made in the year | 2,557,918 | 100% | 2,744,638 | 100% |
| Payables at year-end past due by more than the maximum payment period | 3,176 | | 2,221 | |

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

The weighted average period of late payment was calculated as the quotient whose numerator is the result of multiplying the payments made to suppliers past due by more than the maximum payment period by the number of days of late payment and whose denominator is the total amount of the payments made in the year outside the maximum payment period. The weighted average period of late payment has been 4 days in 2011 (2010: 3 days).

The maximum payment period applicable to the Company in 2011 under Law 3/2004, of 29 December, on combating late payment in commercial transactions, was 85 days.

19. Information on the environment

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

In 2011 and 2010 the expenses incurred and the investments made to protect and improve the environment were not material.

20. Explanation added for translation to English

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

Appendix I

Subsidiaries composing the Logista Group

| Company | Audit firm | Registered Office |
|--|-------------|---|
| Compañía de Distribución Integral de Publicaciones Logista, S.L. | Deloitte | C/ Electricidad, 3. Pol. Ind. Pinares Llanos. Villaviciosa de Odón (Madrid) |
| Logista Portugal, Distribuição de Publicações, S.A. y soc. dependientes: | Deloitte | Expanção da Área Ind.l do Passil. Ed. Logista 1A. Alcochete (Portugal) |
| Jornal Matinal, LDA. | Deloitte | Expanção da Área Ind.l do Passil. Ed. Logista 1A. Alcochete (Portugal) |
| Marco Postal Entrega Personalizada de Publicações, LDA. | Deloitte | Expanção da Área Ind.l do Passil. Ed. Logista 1A. Alcochete (Portugal) |
| Distribérica, S.A. | Not audited | C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid) |
| Publicaciones y Libros, S.A. | Deloitte | C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid) |
| Distribuidora del Noroeste, S.L. | BDO | Gandarón, 34 Interior- Vigo |
| Distribución de Publicaciones Siglo XXI Guadalajara, S.L. | Not audited | C/ Francisco Medina y Mendoza 2. Cabanillas del Campo (Guadalajara) |
| Distribuidora de Publicaciones del Sur, S.A. | BDO | Polígono Ind. Ctra. La Isla, c/Foro, 14. Dos Hermanas (Sevilla) |
| Promotora Vascongada de Distribuciones, S.A. | Not audited | C/Guipúzcoa 5. Polígono Industrial Lezama Leguizamón, Echevarri (Vizcaya) |
| Asturesa de Publicaciones, S.A. | Not audited | Pérez Galdós, 10. Oviedo |
| Distribuidora de las Rías, S.A. | Not audited | 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 |
| Distriburgos, S.A. | Not audited | c/ Canónigo Isidoro Díaz de Muragarren, 2, 7ª Burgos |
| Cyberpoint, S.L.L. | Not audited | C/ Electricistas, 3. P.I. Pinares Llanos. Villaviciosa de Odón (Madrid) |
| Distribuidora del Este, S.A. | BDO | Calle Saturno, 11. Alicante |
| S.A. Distribuidora de Ediciones | Deloitte | C/ B, Sector B Polígono Zona Franca. Barcelona |
| La Mancha 2000, S.A. | Not audited | Avda. Castilla La Mancha sn. Cabanillas del Campo. Guadalajara |
| Midsid Sociedade Portuguesa de Distribuição, SGPS, S.A. | Deloitte | Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal) |
| Logista-Dis, S.A. | Deloitte | C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés |
| Logista Libros, S.L. | Deloitte | Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara |
| Librodis Promotora y Comercializadora del Libro, S.A. | Not audited | Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara |
| Avanzalibros, S.L. | Not audited | Avda Castilla La Mancha, 2, Nave 3-4 Polígono Ind La Quinta (Sector P-41) Cabanillas del Campo, Guadalajara |
| Logesta Gestión de Transporte, S.A. | Deloitte | C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés |
| Logesta Italia, s.r.l. | Deloitte | Via in Arcione 98. Roma |
| Transportes Basegar, S.A. | Deloitte | C/ Chavarri, S/N, Edificio Reimasa. Sestao (Vizcaya) |
| Basegar Logística, S.L. | Deloitte | c/ Alameda Recalde, 34, 2º izda Bilbao |
| Logesta Noroeste, S.A. | Deloitte | C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés |
| Logesta Lusa Lda | Not audited | Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal) |
| Logesta Polska Sp. Z.o.o. | Not audited | Flory nr 9, lok 6. kod-00-586 Warszawa--(Polonia) |
| Logesta Deutschland GMBH | Not audited | Pilotystr 4. 80538- München-(Alemania) |
| Logesta France, s.a.r.l. | Not audited | 25 Av. Du Bois de la Pie. Z.I. Paris Nord. 93290 Tremblay (Francia) |
| Dronas 2002, S.L. y sociedades dependientes | Deloitte | Pol. Industrial Nordeste, c/ Energia 25-29. Sant Andreu de la Barca |
| T2 Gran Canaria, S.A. | Deloitte | Urbanización El Cebadal. C/ Entrerriós, 3. Las Palmas de Gran Canaria |
| T2 Opellog, S.A. | Deloitte | Polígono Industrial Nordeste. C/ Industria, 53-65. San Andreu de la Barca |
| Logilenia Distribuidora Farmacéutica, S.L. | Not audited | C/ Trigo, 39. Polígono Industrial Polvoranca. Leganés |
| Logista Italia, S.p.A. (antes Etinera, S.p.A.) | Deloitte | Via in Arciones, 98. Roma (Italia) |
| Terzia, S.p.A. | Deloitte | Via in Arciones, 98. Roma (Italia) |
| Logista, Transportes e Transitarios, Lda. | Deloitte | Expansao del area ind. Do Pasill, Lote 1-A, Palhava. Alcochete (Portugal) |
| Compañía de Distribución Integral Logista Polska, Sp Zoo | Not audited | Al. Jerozolimskie 133. Warszawa. Polonia |

Logista Group Associates

| Company | Audit firm | Registered office |
|---|---|--|
| DIMA Distribución Integral, S.L. International News Portugal, LDA. Logesta Maroc, S.A | Deloitte Patricio Moreira, Valente & Asociados SROC Not audited | Polígono Industrial Los Olivos. C/ Confianza, 1. Getafe. Madrid Alameda dos Oceanos., Lote 1º Lisboa 87 Rue Ahmed El .Casablanca (Marruecos) |

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

Directors' Report
For year ended
30 September 2011

1. LOGISTA's performance and position in 2011

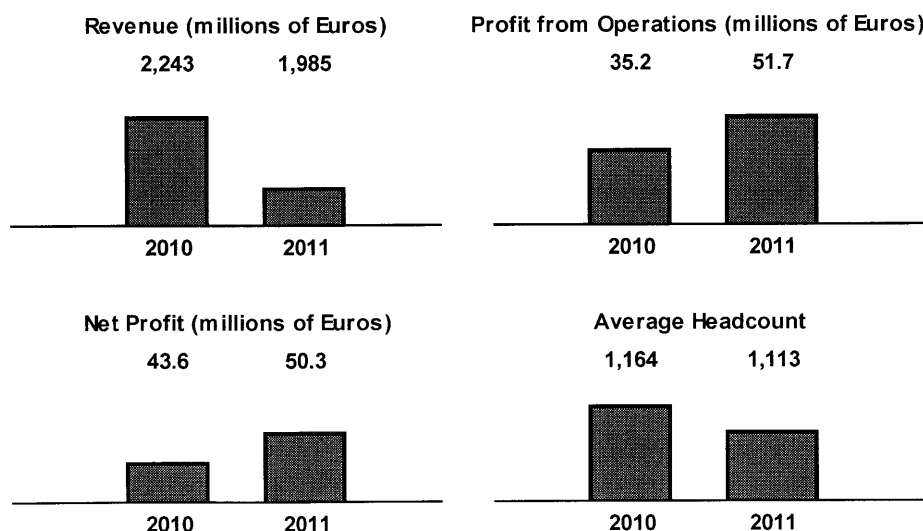
In 2011, the Company reported revenue of EUR 1,985 million and profit from operations of EUR 51,7 million.

The Company's results reflect a clear recovery in financial profit, to stand at EUR 10.5 million, due mainly to the growth in finance income as a result of the increase in interest rates, with net profit reaching EUR 50.3 million.

The difficult economic environment and weak consumer spending, which has set the tone over recent years, continue to affect the Company's activity. However, as in previous years, the Company's business model has demonstrated its resilient nature. The various measures adopted to improve the efficiency of the Company's operations, together with the relentless sales drive, have enabled the Company to mitigate the impact of the adverse economic situation on the Company's financial statements.

The tobacco distribution line of business in Spain was affected by the increase in taxes on tobacco in December 2010 and the entry into force on 2 January 2011 of Law 42/2010, of 30 December 2010, which, inter alia, banned smoking in substantially all enclosed public spaces. Cigarette volumes fell by 15% between 1 October 2010 and 30 September 2011. Also, the industry was immersed in a price war between May and September, which ended with a slight increase in prices at year-end.

The main indicators for 2011 (October 2010 – September 2011) as compared with the indicators reported in 2010 (October 2009 – September 2010) are as follows:



Risk exposure

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

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

The Company complies with all requirements and has all licences, permits, etc., required to operate in the various markets and industries in which it carries on its business activity, and it has established through its organisational structure the appropriate procedures and controls to enable it to identify, prevent and mitigate the risks of change in the regulatory framework and at the same time comply with the obligations imposed by the applicable legislation.

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

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

- Security Committee: its function is the prevention of and protection against antisocial risks and threats to assets and employees of Logista or any of its companies.
- Environment and Quality Committee: it establishes the action policy regarding the action to be taken by the various business units of the Company in all matters relating to its commitment to the environment and quality, and promotes the implementation of and compliance with the principles of conduct by issuing internal corporate regulations.
- Administrative Department - Insurance: the Administrative Department is responsible for analysing the accident risks which may affect both the Company's assets and the performance of its business activities and, based on these risks, it arranges the external insurance coverage it deems necessary. On the other hand, it is charged with the Company assets protection and ensuring the reliability of the financial information.
- Cash Department - Financial and Credit Risk: its functions are to limit and control the financial risks arising from business dealings with third parties, to establish the related credit limits, where necessary, and to set a policy concerning allowances for doubtful debts.
- Internal Audit Department: the Company's Internal Audit Department is responsible for providing support to the Audit Committee in complying with its duties and responsibilities, furnishing it with objective analyses, assessments and recommendations in accordance with the established work plan. Specifically, the main activities to be performed are as follows:
 - Participate in monitoring the work of external auditors, including the related planning, quality, independence and general business terms.
 - Assist in the review of the Company's financial information, particularly in unaudited periods.
 - Guarantee appropriate internal control system and information systems, identify the possible improvements therein and promote their implementation.
 - Identify risks and assess the associated controls, mainly through the performance of an annual audit plan.
 - Provide technical support to Company management on financial and accounting matters when required.

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

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

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

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

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

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

Environment

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

In 2011, the Group implemented various initiatives in this connection such as the inclusion of energy efficiency criteria at certain locations, e.g. the new centre in Barcelona, which will give rise to considerable savings in resources and the establishment of environmental objectives by centre to optimise the consumption of water, energy and other resources. In relation to the commitment to Ecoembes, measures for improvement were created to reduce the total amount of containers and packaging used, by modifying properties and designing different formats. In the corporate sphere, it should be noted that Logista reported for the first time in the "Carbon Disclosure Project", an international benchmark project in the fight against climate change.

2. Important events for the Company after the reporting period

No significant events have occurred after the reporting period.

3. Company outlook

The main lines of action for 2011/2012 are:

- To manage the productivity of activities relating to tobacco in an environment of shrinking volumes.

- Promotion of operations relating to the distribution and marketing business of ONCE lottery games.

4. Research and development

In 2011 the Company invested EUR 2.9 million in research and development. These investments were made mainly to adapt new businesses, automate processes and develop proprietary computer software.

5. Treasury shares

At 30 September 2010 the Company did not hold any treasury shares.

6. Use of financial instruments

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

Certificate issued to attest that the undersigned members of the Board of Directors of Compañía de Distribución Integral Logista, S.A. (Sole-Shareholder Company) are apprised of the contents of these financial statements and directors' report which were authorised for issue at the Board of Directors' meeting on 21 December 2011 and are set forth on 47 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:

Mr. Gregorio Marañón y Bertrán de Lis
CEO

Mr. Luis Egido Gálvez
Chairman

Mr. José Riva Francos
Chairman

Mr. Miguel Ángel Barroso Ayats
Chairman

Mr. Luis de Guindos Jurado
Chairman

Ms. Alison Cooper
Chairman

Mr. Kenneth Hill
Chairman

Mr. David Ian Resnekov
Chairman

Mr. Conrad Richardson Tate
Chairman

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

Madrid, 21 December 2011