(Free translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails)

REPORT REGARDING THE INDEPENDENCE OF THE EXTERNAL AUDITOR

The Audit Committee, in accordance with Article 13 C) (f) (iii) of the Board of Directors By-laws and the current legislation, has proceeded to verify that the requirements are being met to ensure the independence of the external auditors.

EY, S.L. as external auditors of Viscofan, S.A. and its dependent companies have audited the accounts corresponding to the 2016 tax year, being the tenth year that they have provided this service.

The Audit Committee unanimously approved that, from the corporate Financial Department, an annual register of the services and amounts contracted by the different subsidiaries should be carried out, for their transferral and follow-up from the Committee.

During the 2016 tax year, and regarding this follow-up, it emerged that the invoicing of EY, S.L. for the external audit services for the Company and its associated companies and for other services other than auditing were as follows:

	2016	2015
VISCOFAN SA	307,260	145,316
Auditing services	129,548	104,648
Other services	177,712	40,668
ASSOCIATED COMPANIES	634,920	611,824
Auditing services	608,954	593,652
Other services	25,967	18,173
TOTAL	942,180	757,140
Auditing services	738,502	698,300
Other services	203,679	58,841

The expenses in thousands of euros for services not linked to auditing represent:

	Company	Group	Total
Not auditing	178	26	204
% over total	57.8%	4.1%	21.6%

The increase of the percentage of the non-auditing costs in the Matrix is due to the services provided regarding the acquisition of the Vector Group.

Likewise, the letter issued by the external auditors shall be analysed, in which they declare compliance with the requirements to ensure their independence as external auditors in terms of the team in charge of the audit, the auditing services and other services provided, as well as the existence of the procedures aimed at identifying and assessing threats that could emerge from circumstances related to audited entities and that could signify a significant threat to their independence.

For all of the above, the Audit Committee considers that it has complied with the requisites to ensure the independence of the EY external auditors, and shall therefore proceed to notify the Board of Directors.