Results Q4 2021

October 2020 – September 2021

The fiscal year-end results can be described as very positive, the main income statement figures having grown despite the fact that there were no COVID-19 impacts until March of the previous year:

- 5.6% Economic sales growth[1]
- The business performed well, leading to a 13.2% rise in Adjusted Operating Profit[1] and a 12.8% increase in Operating Profit
- 10.7% Net Profit growth

Financial highlights

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	% Variation
Revenues	10,816.8	10,407.7	+3.9%
Economic sales[1]	1,179.5	1,117.2	+5.6%
Adjusted operating profit[1]	297.5	262.9	+13.2%
Economic sales margin[1]	25.2%	23.5%	+170 bp
Operating profit	240.3	213.1	+12.8%
Net profit	174.0	157.2	+10.7%

Estimated impact of COVID-19 on business performance and results

New waves of the pandemic have been recorded throughout the financial year, reaching their peak in the second quarter. This is in contrast to the previous year when the pandemic started practically at the end of the second quarter.

As a result, the situation during the first six months of this financial year cannot be compared to the same period last year, since the pandemic did not affect business in the countries in which Logista operates during the first quarter and almost the entire second quarter. From the second half of the year however, when comparing business in the context of COVID-19 for both financial years, the overall economic situation this year has been more positive than in 2020.

The Spanish, Portuguese, French and Italian governments again imposed a number of measures to limit working hours, keep businesses closed and restrict mobility, in addition to reintroducing some local lockdowns, but the measures were less severe than those adopted during the previous financial year. In any event, Logista has carried on operating the majority of its businesses virtually as normal, as it did in 2020, as these were again considered essential business when restrictive measured were introduced.

Any negative impact that COVID-19 may have had on results this year has been offset by cost-cutting measures and by taking a number of strategic decisions which have ensured that positive trends in some sectors resulting from the pandemic have been converted into business growth.

The positive impacts resulting from the pandemic include the rise in the e-commerce distribution business (last mile), in pharmaceutical distribution and in providing services to manufacturers, and an improved performance in the volume of tobacco products distributed in France in certain months of the year due to restrictions on mobility, in particular cross-border mobility. Some of these were already evident during the previous financial year.

[1] *See appendix "Alternative Performance Measures"*

Business trend and income statement highlights

The Group's **Revenues** rose by 3.9% against the previous year thanks to growth in Iberia and Italy. Turnover increased in most of the core businesses, growth having been achieved in Tobacco distribution in Italy and Spain, Convenience product distribution in all countries, and in Pharma and all Transport activities.

Economic Sales[1] climbed 5.6% up to €1,180 million due to improvements in all geographies and activities, except for tobacco distribution in France and Portugal. Double-digit Economic Sales[1] growth was achieved in the Pharma, Parcel services (Nacex) and Convenience product distribution businesses in Spain and Italy.

Total operating costs[1] rose by 3.2%, well below the increase in Economic Sales[1].

Adjusted Operating Profit[1] amounted to €297.5 million after rising by 13.2% on the previous year. The Adjusted Operating Profit Margin over Economic Sales[1] was 25.2% as compared with 23.5% in 2020.

The positive impact on results of changes to the value of inventories caused by movements in taxes and tobacco prices during the year (around €+5 million) partly explains this increase in Adjusted Operating Profit[1] compared with 2020, when the impact was negative in the amount of €2 million.

Losses caused by COVID-19 in the same period of the previous year are estimated at around €14 million, while the impact is considered to be immaterial this year.

At the year end, a number of changes were made to the Group's financial reporting that affected comparability, so the 2020 figures were restated. These changes are described below.

Supergroup, the Group subsidiary engaged in distributing convenience products to points of sale other than tobacconists in France (formerly the Other businesses sub-segment) is now classed as an "available-for-sale asset", following a poor performance in recent years and since this is not a strategic business in the Group's forward-looking plans. As a result of this reclassification, the 2020 income statement, balance sheet, cash flow statement and breakdowns by geographic segment and business sub-segment were restated.

As from the year end, standalone reporting of the Logista Pharma business will begin, creating a new sub-segment in Iberia that will be named "Pharmaceutical distribution", while Logista Publications will remain in Other businesses.

Also following the year end, the Corporate and other segment will disappear as such and its results will be included in the other segments, allocating the corporate costs among the remaining three segments and integrating the Polish activities into Iberia (in the Tobacco and related products sub-segment), in line with the hierarchical reporting structure.

In view of these reclassifications, the 2020 breakdowns by geographic segment and business sub-segment were restated to align the segment information with the data reported in 2021.

Restructuring costs[2] fell compared with the previous year to €9.3 million (€11.1 million in 2020).

In the current year, capital gains on asset sales were lower than the 2020 total (€2.1 million and €12.7 million, respectively), two assets having been sold in Spain.

Operating profit grew 12.8% to reach €240.3 million.

Net financial income was well above the previous year at €20.2 million (as compared with €12.2 million), due primarily to interest on the excess corporate income tax interim payments made in Spain in 2017 and 2018, based on a Constitutional Court judgement.

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[1] *See appendix "Alternative Performance Measures"*

The effective tax rate was 27%, which was cut to 25.8% in the income statement following a ruling on tax litigation in Italy that favoured Logista. In the previous year, the effective tax rate was 26.8%.

Net profit from continuing activities rose by 17% to €193.2 million, while a net loss of €-19.1 million was posted on discontinued operations, as compared with €-7.3 million in the previous year.

As a result, **Net profit** rose 10.7% to reach €174 million.

Changes in Revenues trend (by segment and business)

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	% Variation
Iberia	**3,325.3**	**3,183.8**	**4.4%**
Tobacco and related products	2,875.6	2,780.9	3.4%
Transport	411.3	385.4	6.7%
Pharmaceutical distribution	180.8	144.6	25.0%
Other businesses	18.2	18.2	(0.1)%
Adjustments	(160.6)	(145.3)	(10.5)%
France	**3,982.7**	**4,105.0**	**(3.0)%**
Tobacco and related products	3,982.7	4,105.0	(3.0)%
Italy	**3,556.1**	**3,167.8**	**12.3%**
Tobacco and related products	3,556.1	3,167.8	12.3%
Adjustments	**(47.2)**	**(48.8)**	**3.2%**
Total Revenues	**10,816.8**	**10,407.7**	**3.9%**

Economic sales[1] (by segment and business)

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	% Variation
Iberia	**634.3**	**593.5**	**6.9%**
Tobacco and related products	303.2	292.9	3.5%
Transport	290.5	271.7	6.9%
Pharmaceutical distribution	83.2	69.3	20.1%
Other businesses	17.4	17.2	0.8%
Adjustments	(60.0)	(57.6)	(4.2)%
France	**225.3**	**225.0**	**0.2%**
Tobacco and related products	225.3	225.0	0.2%
Italy	**324.7**	**304.9**	**6.5%**
Tobacco and related products	324.7	304.9	6.5%
Adjustments	**4.8**	**6.2**	**23.1%**
Total economic sales[1]	**1,179.5**	**1,117.2**	**5.6%**

[1] See appendix *"Alternative Performance Measures"*

Adjusted EBIT[1] (by segment)

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	% Variation
Iberia	133.5	111.9	19.3%
France	65.6	64.7	1.4%
Italy	98.5	86.3	14.0%
Total adjusted EBIT[1]	**297.5**	**262.9**	**13.2%**

Adjusted Operating Profit[1] (or, interchangeably, Adjusted EBIT[1]) is the main indicator employed by Group management to analyse and measure business performance. This indicator is essentially calculated by discounting from EBIT costs that are not directly related to the Group's Revenues in each period, which facilitates the analysis of the trends in operating costs[1] and the Group's margins. Set out below is the reconciliation of Adjusted EBIT[1] and EBIT for FY 2021 and FY 2020:

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020
Adjusted operating profit[1]	**297.5**	**262.9**
(-) Restructuring costs[1]	(9.3)	(11.1)
(-) Depreciation of Logista France assets	(52.2)	(52.2)
(+/-) Profit/(loss) on disposal and impairment	2.1	12.7
(+/-) Equity-accounted profit/(loss) and other	2.2	0.8
Operating profit	**240.3**	**213.1**

[1] See appendix *"Alternative Performance Measures"*

Performance by segment

A. Iberia: Spain, Portugal and Poland

Iberia Revenues totalled €3,325 million, having risen 4.4% against the previous year. Economic sales[1] amounted to €634.3 million, 6.9% above the €593.5 million recognised in 2020.

Revenues in the **Tobacco and related products** business line rose by 3.4% despite the slight fall in tobacco volumes distributed.

Volumes distributed of cigarettes plus RYO and other (including heated tobacco units) in Iberia declined by 0.8% in the current year compared with 2020, dipping in both Spain and Portugal.

Volumes of these categories distributed in Spain fell 0.7% against the previous year, due primarily to the impact of lower tourist and cross-border sales caused by the mobility restrictions imposed since the start of the pandemic, which are still affecting the flow of tourists from other countries.

In the final quarter of the year, some tobacco manufacturers raised the retail selling prices of certain products by €0.15 per packet, so the value of inventories rose by around €2 million, there having been no equivalent material effects in the previous year.

As from the end of this year, Logista's business in Poland (distribution to wholesalers of tobacco products made by two manufacturers) are to be included in Iberia, in the Tobacco and related products sub-segment. 2020 Revenues, Economic Sales and results associated with this business were reclassified in the interests of comparability, although the effects are immaterial. Business in Poland performed well during the year.

Economic Sales[1] of Tobacco and related products in Iberia rose by 3.5% on the previous year thanks to the value-added services billed to tobacco manufacturers, which helped to offset the slight fall in tobacco volumes distributed. Economic Sales[1] of convenience products distributed grew at a double-digit rate compared with 2020.

The sound performance of convenience sales is explained by the influx of new customers, the rise in point-of-sale customers and the increasing demand for convenience products in these stores. The highest sales growth was achieved in non-tobacconist points of sale, although sales to tobacconists also climbed despite the considerable surge in the previous year.

The situation caused by the pandemic favoured an increase in electronic commerce leading to a significant uplift in the parcel services business (Nacex), while mobility restrictions and selective lockdowns brought down demand in the industrial parcel sector. However, pre-pandemic sales levels were recovered towards the end of the year as the industrial parcel business bounced back.

Long-distance transport sales improved over the course of the year, due partly to the addition and expansion of transport services for the pharmaceutical industry and the high-tech, mass consumption and fruit sectors, and to the rebound in tobacco volumes.

Economic Sales[1] in the **Transport** business rose by 6.9% to €290.5 million. Double-digit growth in Economic Sales[1] was achieved in the parcel services business (Nacex) and mid-single-digit growth in the long-distance and industrial parcel service activities.

As from this year, Logista Pharma is no longer included in Other businesses and is a new reporting sub-segment (Pharmaceutical distribution).

[1] See appendix *"Alternative Performance Measures"*

Revenues from **Pharmaceutical distribution** rose 25% up to €180.8 million, while Economic Sales[1] grew by 20.1% to €83.2 million thanks to a steady influx of customers and the launch of new dedicated services for the industry, targeting both existing and new customers.

The circumstances during the pandemic gave rise to changing needs in the pharmaceutical and healthcare sectors that are being answered by Logista Pharma, such as the management of clinical trials, direct delivery of medicines to hospital patients and supply of critical medicines for COVID-19. This boosted business thanks to new customer profiles, such as public authorities and hospitals, as well as new products such as COVID-19 vaccines and healthcare and protection materials.

Revenues from the distribution of publications (**Other businesses)** held its ground despite the difficult situation in the industry, Economic Sales[1] having risen by 0.8% to reach €17.4 million.

Total operating costs[1] in Iberia climbed 4% during the year.

The net impact of COVID-19 on current-year results is estimated to be immaterial, as compared with an estimated adverse effect of around €11 million in the previous year.

Adjusted EBIT[1] totalled €133.5 million, having increased 19.3% on 2020.

Restructuring costs[1] were well below the 2020 figure (€0.9 million v. €10.7 million), while capital gains on the sale of assets also declined (€0.2 million as compared with €0.5 million). So, **EBIT** rose by 28.5% to €136.9 million, as compared with €106.6 million in the previous year.

B. France

Economic Sales[1] in France climbed 0.2% to reach €225.3 million.

Revenues fell by 3% to €3,983 million due to the decrease in tobacco volumes distributed in relation to the previous year, which dipped 4% in cigarettes plus RYO and other (including heated tobacco units).

The latest tax increase scheduled by the French Government came into effect during the year so as to reach a price of €10 for a packet of 20 cigarettes in 2020, entailing an average of around 40 cents per packet. Tobacco manufacturers passed on most of this tax increase in the retail selling price, although in some cases this did not offset the full effect of the tax hike.

Movements in taxes and prices during the year had an adverse net impact on inventories of approximately €2 million, as compared with the negative impact of €3 million in the previous year.

Economic Sales[1] of Tobacco and related products rose by 0.2% to €225.3 million thanks to growth in the distribution of electronic transactions and convenience products, offsetting the poor Economic Sales[1] in tobacco distribution.

The net effect of COVID-19 on results in France in the current year is estimated to be immaterial, as compared with a negative impact of around €3 million in the previous year.

The Company decided to classify Supergroup (the Group subsidiary engaged in distributing convenience products to points of sale other than tobacconists in France) as an “available-for-sale” asset at the end of the current fiscal year, so its results are included under discontinued operations and its Revenues, Economic Sales and results are no longer part of the France segment. The Other businesses sub-segment is no longer included in this segment, all the activities in France forming part

[1] See appendix *“Alternative Performance Measures”*

of the Tobacco and other related products sub-segment. The corresponding figures were restated to reflect this classification and assure comparability between 2021 and 2020.

Total operating costs[1] in France decreased by 0.2%, allowing **Adjusted EBIT**[1] to climb 1.4% to €65.6 million, as compared with €64.7 million in the previous year.

Restructuring costs[1] were higher than in 2020 (when there were virtually none) at €1.6 million and the same depreciation charge of €52.2 million was recognised on the assets arising from the acquisition of the business in France. **EBIT** grew by €+11.7 million, which was 43.2% below the previous-year figure of €20.5 million.

C. Italy

Revenues in Italy grew by 12.3% to €3,556 million thanks to increases in Revenues from the distribution of convenience products and tobacco in relation to the same period of 2020.

Volumes distributed of cigarettes plus RYO and other (including heated tobacco units) climbed 2.7% on the previous year due to the sound performance of the new product categories, which amply offset the decline in cigarette volumes (-2.2%).

Some changes were made to excise duties on the new product categories during the year. Heated tobacco manufacturers raised their retail selling prices so as to more than offset the tax increase. Movements in taxes and prices had a net positive impact of between €4 million and €5 million on results for the year, as compared with around €1 million in the previous year.

The increase in Revenues from services provided to manufacturers and from the distribution of convenience products allowed Economic Sales[1] to grow 6.5% in Italy to reach €324.7 million.

As regards services to manufacturers, the new tobacco product categories in Italy and the value-added services associated with this type of products are performing well.

Commercial efforts to boost growth in the distribution of convenience products focused this year on the beverages category, new agreements having been reached with manufacturers in this sector, complementing the increase in the snacks and sweets category. As a result, Economic Sales[1] in the distribution of convenience products once again reached double-digit growth.

The net effect of COVID-19 on results in the current and previous years is estimated to be immaterial.

Total operating costs[1] in Italy rose by 3.6% against the previous year, so **Adjusted EBIT**[1] climbed 14% up to €98.5 million.

Restructuring costs[1] related to the gradual improvement in operational efficiency were above the previous-year figure (€6.8 million as compared with €0.3 million in 2020) due to the reorganisation of the distribution network in Italy during the year, including the closure of the Bolonia warehouse and the transfer of those activities to the Tortona warehouse.

EBIT amounted to €91.7 million, 6.6% up on the €86 million posted in the previous year.

[1] *See appendix "Alternative Performance Measures"*

Financial trends

A. Net financial income/(expense)

The Group has a reciprocal credit line agreement with its majority shareholder (Imperial Brands Plc.), whereby cash surpluses are lent daily up to a limit of €2,600 million or the cash needed to meet payment obligations is received. Interest accrues on these balances at the European Central Bank's base rate plus a spread of 75 basis points. The European Central Bank's base rate was 0% in both financial years.

Cash resources averaged €2,310 million during the year, as compared with €2,285 million in the preceding year.

Net financial income was well above the previous year (€20.2 million as compared with €12.2 million), due primarily to interest on the excess corporate income tax interim payments made in Spain in 2017 and 2018, based on a Constitutional Court judgement (€3.6 million).

B. Net profit

Restructuring costs[1] recognised in the current year decreased in relation to the previous year (€9.3 million v. €11.1 million) and capital gains were also lower (€2.1 million) than in the previous year (€12.7 million). This, together with the sterling business performance and improved financial results, led to a 15.6% increase in Pre-Tax Profit up to €260.5 million.

The effective tax rate was 27%, which was cut to 25.8% in the income statement following a ruling on tax litigation in Italy that favoured Logista. In the previous year, the effective tax rate was 27.3%.

Profit from continuing operations increased to reach €193.2 million, which is 17% higher than the 2020 figure of €164.9 million.

The Company has decided to classify Supergroup (the Group subsidiary engaged in distributing convenience products to points of sale other than tobacconists in France) as an "available-for-sale" asset at the fiscal year end, so its results for the year and estimated restructuring costs (included in 2021) are reported under discontinued operations. To ensure the comparability of 2021 and 2020, these figures were restated to reflect the new classification, results from discontinued operations amounting to €-19.1 million in 2021 and €-7.3 million in 2020.

Net profit, including continuing and discontinued operations, totalled €174 million, up 10.7% on the previous year.

Basic earnings per share amounted to €1.32 as compared with €1.19 in 2020, the number of shares remaining the same. At 30 September 2021, the Company holds 800,623 treasury shares (0.6% of share capital). Most of these shares were purchased to cover future commitments to deliver shares under long-term executive remuneration plans. The other shares secure the liquidity agreement entered into on 20 January 2021 with Banco Santander, S.A.

C. Cash flows

The seasonal nature of the Group's business leads to a negative cash balance in the first and second quarter of the year, which is turned around in the second half and normally peaks near the year end.

[1] *See appendix "Alternative Performance Measures"*

Earnings before interest, taxes, depreciation and amortisation (EBITDA) grew by 8.8% on the same period of the previous year thanks to the sound business performance and the increase in net financial income, amply funding the rise in restructuring payments[1], the growth in normalised taxes and the larger cash outflow on net investments for the year. As a result, cash generated was 7.5% higher than the year.

The change in working capital at the year end is explained by the very high cash position at the previous year end due to changes to the terms and timing of excise duty payments in some countries. This variation in the balance caused a negative free cash flow at 30 September 2021.

D. Dividend policy

At the Annual General Shareholders' Meeting, the Company's Board of Directors intends to propose distributing an additional dividend for the 2021 financial year of €110 million (€0.83 per share), to be paid during the first quarter of the 2022 calendar year.

On 22 July 2021, the Board of Directors also approved the payment of a dividend of €54 million (€0.41 per share) on account against the results for 2021, which was paid on 27 August 2021.

The dividend for 2021 will therefore total €164 million (€1.24 per share), entailing an increase of 5.1% on the previous year and representing 95% of Net Profit for the year.

E. Business outlook

Our business performance during the year has allowed us to achieve results more in line with pre-pandemic expectations, after overcoming the impact of COVID-19.

In view of the current market circumstances, which point to a general recovery in the main countries in which we operate, we expect Adjusted EBIT[1] to grow organically during 2022 at a mid-single-digit rate on the figure for 2021.

In line with Logista's strategic plans, focusing essentially on additional growth and diversification of the existing businesses, the Group continues to look for acquisition opportunities of complementary small/medium companies to leverage synergies. In any case, Logista will prioritise the same dividend policy applied to date.

[1] *See appendix "Alternative Performance Measures"*

Appendix

Profit and loss account

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	% Variation
Revenues	**10,816.8**	**10,407.7**	**3.9%**
Economic sales[1]	**1,179.5**	**1,117.2**	**5.6%**
(-) Operating cost of logistics networks[1]	(750.0)	(724.4)	(3.6)%
(-) Commercial operating expenses[1]	(47.5)	(47.6)	0.3%
(-) Operating expenditure on research and central offices[1]	(84.4)	(82.3)	(2.6)%
Total operating costs[1]	**(882.0)**	**(854.3)**	**(3.2)%**
Adjusted EBIT[1]	**297.5**	**262.9**	**13.2%**
Margin[1] *%*	*25.2%*	*23.5%*	*170 bp*
(-) Restructuring costs[1]	(9.3)	(11.1)	16.1%
(-) Amort. Logista France assets	(52.2)	(52.2)	0.0%
(+/-) Profit/(loss) on disposal and impairment	2.1	12.7	(83.8)%
(+/-) Profit/(loss) from equity-accounting companies and other	2.2	0.8	169.7%
Operating profit	**240.3**	**213.1**	**12.8%**
(+) Financial income	21.9	17.3	26.8%
(-) Financial expenses	(1.7)	(5.0)	65.7%
Profit/(loss) before tax	**260.5**	**225.4**	**15.6%**
(-) Corporate income tax	(67.3)	(60.5)	(11.3)%
Effective tax rate	*25.8%*	27.3%	*(150) bp*
(+/-) Profit/(loss) on discontinued operations	(19.1)	(7.3)	(161.3)%
(+/-) Other income/(expenses)	0.0	0.0	n.a.
(-) Non-controlling interests	(0.2)	(0.4)	55.0%
Net profit	**174.0**	**157.2**	**10.7%**

[1] See appendix *"Alternative Performance Measures"*

Cash flow statement

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	Variation
EBITDA	**370.4**	**340.4**	**30.0**
Restructuring and other payments	(19.5)	(15.8)	(3.7)
Net financial income/(expense)	20.2	15.3	4.9
Normalised taxes	(78.5)	(72.3)	(6.2)
Net investments	(33.5)	(26.6)	(6.9)
Normalised cash flow	**259.1**	**241.0**	**18.1**
Change in working capital	(609.3)	611.1	(1,220.4)
Effect of cut-off date on taxes	14.4	(51.2)	65.6
Free cash flow	**(335.8)**	**800.9**	**(1,136.7)**

Balance sheet

€ million	31 September 2021	30 September 2020
Property, plant and equipment and other fixed assets	320.6	373.3
Net long-term financial investments	19.8	19.2
Net goodwill	920.8	920.8
Other intangible assets	354.0	408.1
Deferred tax assets	14.5	18.7
Net inventory	1,467.1	1,294.3
Net receivables and other	2,150.7	1,985.7
Cash and cash equivalents	2,298.7	2,826.8
Assets held for sale	41.6	0.0
Total assets	**7,587.8**	**7,846.9**
Shareholders' funds	523.6	514.2
Non-controlling interests	0.8	2.1
Non-current liabilities	137.1	167.6
Deferred tax liabilities	239.3	253.6
Short-term borrowings	72.4	77.4
Short-term provisions	7.3	13.5
Trade and other receivables	6,566.0	6,818.6
Liabilities associated with assets held for sale	41.3	0.0
Total liabilities	**7,587.8**	**7,846.9**

Alternative Performance Measures

- **Economic Sales**: equivalent to Gross Profit, and used without distinction by the Group's Management to refer to the figure resulting from subtracting Procurements from the Revenues figure.

  The Group's Management considers that this figure is a meaningful measure of the fee Revenues which we generate from performing our distribution services, and provides investors with a useful view of the Group's financial performance.

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020
Revenues	10,816.8	10,407.7
Raw materials and consumables	(9,637.3)	(9,290.5)
Gross profit	**1,179.5**	**1,117.2**

- **Adjusted operating profit (Adjusted EBIT)**: This indicator is calculated, basically, by deducting from the Operating Profit those costs that are not directly related to the Revenues obtained by the Group in each period, thus facilitating the analysis of the Group's operating costs and margins.

  The Adjusted Operating Profit (Adjusted EBIT) is the main indicator used by the Group's Management to analyse and measure the progress of the business.

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020
Adjusted operating profit	**297.5**	**262.9**
(-) Restructuring costs	(9.3)	(11.1)
(-) Depreciation of Logista France assets	(52.2)	(52.2)
(+/-) Profit/(loss) on disposal and impairment	2.1	12.7
(+/-) Equity-accounted profit/(loss) and other	2.2	0.8
Operating profit	**240.3**	**213.1**

- **Adjusted EBIT margin on Economic Sales**: calculated as Adjusted Operating Profit divided by Economic Sales (or, indistinctly, Gross Profit).

  This ratio is the main indicator used by the Group's Management to analyse and measure the profitability obtained by the Group's typical activity in a given period.

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020	% Variation
Economic sales	1,179.5	1,117.2	5.6%
Adjusted operating profit	297.5	262.9	13.2%
Economic sales margin	**25.2%**	**23.5%**	**+170 bp**

- **Operating costs**: these include the costs of logistics networks, commercial expenses, research expenses and head office expenses that are directly related to the Revenues obtained by the Group in each period. It is the main figure used by the Group's Management to analyse and measure the performance of the costs structure. It does not include restructuring costs or amortisation of the assets derived from the acquisition of Logista France, because they are not directly related to the Revenues obtained by the Group in each period.

- **Reconciliation with Annual Accounts:**

€ million	1 Oct. 2020 – 30 Sept. 2021	1 Oct. 2019 – 30 Sept. 2020
Logistics network costs	808.2	781.7
Commercial expenses	48.1	48.0
Research expenditure	2.5	2.6
Central office expenses	84.6	85.3
(-) Restructuring costs	(9.3)	(11.1)
(-) Depreciation of Logista France assets	(52.2)	(52.2)
Operating costs or expenses in management accounts	**882.0**	**854.3**

- **Non-recurring costs**: This term refers to those expenses which, although they might occur in more than one period, do not have continuity in time (unlike operating expenses) and only affect the accounts at a specific moment.

  This figure helps the Group's Management to analyse and measure the performance of the Group's activity in each period.

- **Recurring operating costs**: this term refers to those expenses which occur continuously and which allow the Group's activity to be sustained. They are calculated from the total operating costs minus the non-recurring costs defined in the previous point.

  This figure helps the Group's Management to analyse and measure efficiency in the activities carried out by the Group.

- **Restructuring costs**: are the costs incurred by the Group to increase the operating, administrative and commercial efficiency in our organisation, including the costs related to re-organisation, dismissals and closures or transfers of warehouses or other installations.

- **Non-recurring results:** this term refers to the year's results that do not have continuity during the year and only affect the accounts at a specific moment. Their amount is included in the operating profit.

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