

General Logistics Systems (GLS)

Summary trading results (continuing operations) (€m)	Year ended March 2016	Year ended March 2015 ¹	Change
Revenue	2,158	1,978	9%
Operating costs	(1,998)	(1,832)	9%
Operating profit	160	146	9%
Margin (€m)	7.4%	7.4%	Flat
Revenue	1,580	1,557	
Operating costs	(1,463)	(1,442)	
Operating profit	117	115	
Volumes (m)	431	391	10%

Operating costs (€m)	Year ended March 2016	Year ended March 2015	Change
People costs	(489)	(450)	9%
Non-people costs	(1,509)	(1,382)	9%
Distribution and conveyance costs	(1,312)	(1,199)	9%
Infrastructure costs	(143)	(130)	10%
Other operating costs	(54)	(53)	2%
Total operating costs	(1,998)	(1,832)	9%

Revenue and volumes

GLS performed strongly throughout the year. Volumes were up 10 per cent, with continued strong growth in international volumes. Revenue increased by nine per cent as pricing was impacted by lower average parcel weights. Revenue growth was achieved in almost all markets and from a broad customer base, with no one customer accounting for more than two per cent of total GLS revenue. The three major markets, Germany, Italy and France, accounted for 68 per cent of total GLS revenue.

Operating costs

Total operating costs were up nine per cent, driven by volume growth.

People costs increased by nine per cent as a result of increased semi-variable costs linked to volume, additional headcount associated with the operational response to the German minimum wage legislation, pay increases and the impact of acquisitions. Non-people costs grew broadly in line with volume growth. Distribution and conveyance costs reflected higher volumes and the impact of German minimum wage legislation on subcontractor costs.

Infrastructure costs increased by 10 per cent, largely due to higher depreciation and amortisation charges following increased investment in IT.

Operating profit

Operating profit of €160 million benefited from one-off provision releases of around €3 million, largely in relation to the successful resolution of historical litigation claims. Excluding these, the operating profit margin was 7.3 per cent, compared with the margin (including discontinued operations) of 7.0 per cent for 2014-15. Reported profit was impacted by exchange rate movements of £8 million.

Summary of performance Germany

Germany remains the largest market for GLS by revenue. Revenue in GLS Germany grew by four per cent. Profitability has been impacted by the German minimum wage legislation but this was partly mitigated by planning and operational initiatives and better than expected volumes from new and existing customers. As previously reported, on 31 March 2015 GLS Germany sold its entire holding in its subsidiary DPD

Systemlogistik GmbH & Co. KG (DPD SL) resulting in a profit on disposal of £31 million.

Italy

GLS Italy performed strongly throughout the year. Better than expected revenue growth of 18 per cent was driven by strong business-to-consumer (B2C) volume growth, market share gains and the benefit of acquisitions. This was reflected in a strong profit growth. Given the strong performance over the last two years, it will be challenging to maintain this rate of growth going forwards.

France

GLS France delivered revenue growth of six per cent from existing and new customers. Operating losses reduced by €3 million to €13 million. The pace of the turnaround programme has slowed due to challenging market conditions. As a result, we now expect to reach break-even in 2017-18.

Other developed European markets (including Austria, Belgium, Denmark, Ireland, Netherlands, Portugal and Spain)

Revenue growth was achieved in the majority of other developed European markets, which represent 22 per cent (2014-15 22 per cent) of total GLS revenue.

Other developing/emerging European markets (including Croatia, Czech Republic, Hungary, Poland, Romania, Slovakia, Slovenia)

We saw revenue growth in all developing/emerging European markets, with particularly strong growth in Hungary, Poland and Romania. In addition, the start-up company launched in Croatia in August 2013 more than doubled its revenue in 2015-16. In total, developing/emerging markets represent 10 per cent (2014-15 nine per cent) of total GLS revenue.

¹ All results for 2014-15 have been adjusted to reflect the sale of DPD SL on 31 March 2015. Revenue €122 million; operating costs €122 million; volumes 45 million