



Annual General Meeting Deutsche Post DHL Group

Speech by Dr. Frank Appel, CEO
Bochum, April 28, 2017

Check against delivery



Dr. Frank Appel
Chief Executive Officer
Deutsche Post DHL Group

Dear Shareholders,

2016 was a record year.

With the best results in the history of this company.

You can look forward to the highest dividend that we have ever paid out.

With this good news, I warmly welcome you here in Bochum. Good morning as well to all who have joined us via the Internet.

Let's start by taking a look at events unfolding around us. The world is in a state of flux. The British will be leaving the European Union. The United States have elected a new president. One reads a lot about protectionism these days. There is some upheaval. Much more remains stable, however. The world economy continues to grow by about three percent. In China the economy has normalized at a growth rate of 6 to 7 percent. Thus, there is no reason for undue concern. And absolutely none as far as our company is concerned.

2016 was an excellent year for us. We achieved a great deal. For our employees. For our customers, and for you, our shareholders. We are proud of this.

Record results for 2016

Operationally we generated earnings of EUR 3.5 billion. This represents a gain of 45 percent. Consequently, we met our guidance for 2016.

We delivered as promised. The consolidated net profit of EUR 2.6 billion was considerably higher than the previous year.

We increased our earnings from quarter to quarter. The revenue declined slightly to EUR 57.3 billion. That is three percent less than in 2015. This was largely attributable to the weak euro and a low oil price. An additional factor was a contractual change regarding a large customer. Excluding these effects, revenues would have risen by three percent.

In 2016 we successfully invested in growth. We have refined our processes. We launched new products on the market. All this bore fruit and improved the results. As previously announced, in 2016 and 2017 we initiated a share buyback program. The program started on April 1, 2016. It ended on March 6, 2017. During that period we bought back a total of nearly 33 million shares for EUR 911 million. This amounted to an average price of EUR 27.67 per share. Deutsche Post DHL Group is healthy through and through. Investor confidence is stronger than ever.

A shared success

All corporate divisions contributed to our success.

The parcel business continues to grow and compensate for the decline in letter mail in the long term. We handle an average of 4.3 million parcels every business day. And additionally some 59 million letters. We keep Germany running. But we go even further. Outside of Germany, our parcel network already comprises 21 countries in Europe.

The Express business performance also points to growth. In 2016 we had 7 percent more shipments than in the prior year. The margin was 11 percent. That is higher than ever before. We will continue to invest in our network and quality.

The operating profit at DHL Global Forwarding clearly shows: the turnaround has been achieved. The new strategic course taken since November 2015 is taking effect. However, the market environment remains difficult. In May 2016 Tim Scharwath was appointed to the Board of Management. In June 2017 he will join our team. We are very pleased about this.

Many companies are outsourcing their logistics to providers such as DHL. In 2016 DHL Supply Chain successfully gained new business amounting to EUR 1.5 billion in annualized revenue. And, our margin exceeded 4 percent for the first time. This is gratifying.

2016 was an excellent year for all divisions. With new top performance records or high growth rates.

Share price flying high

Confidence in our company has boosted the share price. It outperformed the DAX for most of 2016. Let us remember: in March 2009 we were at an all-time low of EUR 6.60. On March 1, 2017 we reached an all-time high of EUR 32.89. This is not merely an upward outlier. We have maintained the price well over EUR 30 for some time now. In 2016 the earnings per share were EUR 2.19. In the prior year the figure was only at EUR 1.27.

KfW Bankengruppe continues to be our largest investor. It holds 20.5 percent of the shares. Institutional investors hold a total stake of 69 percent. 10.8 percent of the shares belong to private investors. That is a desirably high proportion. It shows the widespread confidence of many people in our company.

Dividend increased

The outstanding 2016 results give us leeway for a higher dividend. We propose to you a dividend of EUR 1.05 per share for 2016. That would be the highest dividend since the IPO in 2000.

This would allow us to pay out €1.271 billion to you. Based solely on the dividend, you will have achieved a return of over 3 percent.

48.2 percent of the net profit is going to our shareholders. This lies exactly within the range of our finance strategy. It foresees distribution of 40 to 60 percent of the net profit. The dividend is to be paid out on May 4, 2017.

Credit for this strategy and the strong results of 2016 also go to Larry Rosen. After over seven years of successful work, our previous CFO retired in September 2016. He contributed significantly to the successful position that our company enjoys today.

Melanie Kreis has assumed this duty since October 2016. She will also remain Board Member for Human Resources until further notice. Melanie Kreis is a seasoned expert in both areas. We are happy to have her on our side.

Targets for 2017 defined

This year, too, we are pursuing ambitious targets. Our EBIT guidance is around EUR 3.75 billion. Post - eCommerce - Parcel should contribute around EUR 1.5 billion to this. The contribution of the DHL divisions is around EUR 2.6 billion.

Our EBIT target for 2020 remains unchanged. You know the financial objectives of our strategy: from 2013 until 2020 we want to increase our EBIT by an average of more than 8 percent per year. For Post - eCommerce - Parcel we expect an average annual EBIT growth of around three percent. In the DHL units it is about ten percent on average.

The logistics of the future

These goals are ambitious – but achievable. Of all logistics service providers, we have the strongest global presence. As market leader we have the widest range of offerings and most extensive experience. We know how logistics works. And we have a clear idea of how the future of logistics looks like. How our industry can continue to

contribute to global prosperity.

There are four key aspects to this:

1. Global exchange is advancing.
2. E-commerce is growing.
3. Green logistics and e-mobility are becoming more and more important.
4. Companies have a growing duty to assume social responsibility.

New technologies constitute the fifth point. I will explain later in more detail our position on this issue.

1. Global exchange is advancing

Logistics is the backbone of global trade. We make world trade possible in the first place. A world without logistics would be a much poorer one. Trade and global teamwork would simply be impossible. World trade drives prosperity, and prosperity promotes peace. We therefore do not need less globalization, but more – and we need it now and sustainably.

In the future as well, Deutsche Post DHL Group will remain an ambassador of free trade and global exchange. We connect people and markets around the world.

We do this with two strong brands: Deutsche Post and DHL. Deutsche Post is one of the best known brands in Germany. DHL is one of the 100 most valuable brands in the world. In 2016 the value of the DHL brand increased again. The experts at Interbrand estimate USD 5.7 billion.

Customers can find us all around the world. No other logistics service provider is as international as we are. We run one of the largest global networks. We are one of the biggest private employers in the world. Our workforce grew by 10,000 to almost 510,000 in 2016. For good logistics offerings we need good employees. And we need the right technology. We have therefore invested enormously again in 2016, worldwide as well as in Germany.

The Leipzig hub of DHL Express is a good example of this. In October 2016 we began initial operations with the first part of a new facility. It sorts automatically and can handle shipments of up to 170 kilograms. The facility is the first of its kind and will be completed in autumn of 2017. Since it was opened in 2007, we have invested EUR 655 million in expanding Leipzig. 4,900 employees currently work at the site. We are a major employer and investor in the region. And, Leipzig is also important for us. Half of all European and one sixth of all worldwide DHL Express flights land and start there. The hub is a success for us.

Furthermore, we have purchased new Boeing 757 aircraft. Their advantage: more capacity, better technology, reduced fuel consumption. Why? The express business is growing – and we are prepared for it.

2. E-commerce is growing

Shopping in the Internet is a part of modern life. In the net you can find everything produced and sold around the world. The Internet brings the world into your home. There is hardly a market that is growing as fast as commerce via the Internet. By 2020 this market will have grown by eleven percent to over EUR 2 trillion annually. By comparison: the gross domestic product of Germany was EUR 3.1 trillion in 2016.

More Internet commerce means more parcels. And, for us, more parcels mean more revenue. In 2016 we delivered 1.2 billion parcels in Germany. This was the highest volume in our history. On peak days before Christmas, we delivered over 8.4 million parcels.

We need a good network to accomplish this. We have one, and we continue to expand it. In June 2016 a new parcel center joined the network in Obertshausen which features a conveyor system of more than 6 kilometers. At a brisk pace, you would need an hour to walk this distance.

We are building a new “parcel center par excellence” here in Bochum as well. Up to 50,000 shipments per hour are sorted here. Work will begin in summer. This will bring new life to the former Opel site. And there will be new jobs. As in Obertshausen, we are also creating 600 new positions here.

We not only invest in Germany, though. E-commerce is growing globally – and we are expanding our parcel network. DHL Parcel Europe is already operating in 22 countries. We are creating the “United Parcel Nations of Europe”. For example in Austria. Over 20 months ago we started our own network there. DHL Parcel Austria is running well. Already today, we are ranked number two there. In France and the United Kingdom we have expanded our network through acquisitions. In January 2016 we bought a minority stake in the logistics service provider Relais Colis. In December 2016 we completed our acquisition of UK Mail. UK Mail operates one of the largest networks for letters and parcels in the United Kingdom. It is a key acquisition for us. The UK is the largest market for e-commerce in Europe. 83 percent of all Britons purchase in the Internet. With UK Mail we are now well-represented on the island.

We know where we want to go. We also want to be the market leader in logistics for e-commerce. That’s why we are expanding our network beyond Europe’s borders. In the USA, for example. In the coming years we will be investing USD 137 million in our infrastructure in the United States. Our revenues from shipments from Asia rose sharply in 2016. With Blue Dart, we are the market leader in India. DHL eCommerce has been active in Thailand since the beginning of 2016. And we continue to expand worldwide: most recently in Malaysia – and in Chile.

E-commerce connects people. With the right logistics partner online commerce makes people’s daily lives easier. Deutsche Post DHL Group is such a partner. We support them, for instance, with DHL Paket Prio. We started offering this new service in Germany at the beginning of April. The offer guarantees the delivery of parcels on the next business day. With a money-back guarantee. This service is available to senders with a volume of at least 50 parcels per day. During the first phase, the offering is available in the regions of Leipzig, Würzburg and Nuremberg. In the long term we plan to make it available throughout Germany.

3. Green logistics and e-mobility are becoming more and more important

Innovation is a part of our culture. Being successful means constantly reinventing yourself. This applies particularly to protecting the environment.

There, we have especially ambitious goals. By 2050 we want to reduce our emissions from logistics to zero. With this we are entering new territory. We are making a positive contribution to the future of our world. Our common goal: to limit global warming to less than two degrees Celsius.

We had already set a climate protection goal for ourselves before. That was in 2008. At that time we wanted to improve our carbon efficiency by 2020 by 30 percent compared to 2007. We achieved the goal in 2016, four years ahead of time. We are proud of this, of course. But now is the time to move forward with even larger strides. In 2025 we want to achieve measurable interim targets.

1. We improve our CO₂ efficiency compared to 2007 by 50 percent.
2. We make 70 percent of our own deliveries emission-free.
3. We earn more than half of our sales with green logistics.
4. We are training 80 percent of our employees to be GoGreen experts.

In addition, we plant one million trees each year.

We are deciding today in what kind of world we and our children will live in in 30 years. It should be a better world. And how do we make the world better? With the StreetScooter, for example. It's our very own electric car for delivering letters and parcels. Our parcel business is growing encouragingly. And at the same time we are protecting the environment.

The StreetScooter is unusual as was its development process. There was no e-car available on the market to suit our needs. So we had to develop it ourselves. And we're building it ourselves. The car has to be capable of quite a bit. It is in use for up to 300 days of the year. When driving a route, it stops up to 300 times and moves on again. It has to be rugged and simple. It needs space for many parcels. The StreetScooter can do all of this.

Today, there are more than 2,500 of them on the road in Germany – also here in Bochum. By the end of 2017, this number will at least have doubled. We will convert the entire fleet to e-vehicles. By the end of the year we will have expanded the production capacity from 10,000 to 20,000 vehicles. E-mobility makes an important contribution to a cleaner environment.

Today, we operate the largest e-fleet in Germany, which, in addition to the StreetScooter, includes e-bikes and e-trikes. Livable inner cities can only be attained with new logistics. E-mobility is an essential part of this for us. And, we now also offer our car to others. Municipal operations and strategic partners are already interested.

We are the driving force for e-mobility and No. 1 for green logistics.

4. Companies have a growing duty to assume social responsibility

We are also making great gains over and above environmental protection. Since January 2017 we are a global partner of the Vaccine Alliance Gavi. Vaccines save lives. But they must also make their way into remote areas. In many countries there is a lack of infrastructure for this. We help with our global transportation network. For example in Kenya. The country is the first to benefit from the new concept. There we jointly make use of our and our partners' networks. This way we can distribute vaccines quickly and reliably throughout the entire country.

Together we can do a lot to help others. In the past year employees worldwide have performed more than 365,000 hours of volunteer work in social and ecological projects in their immediate vicinity. Our employees are not only helping others through their daily work. They also do it in their free time.

This applies particularly to our Refugee Relief Initiative in Germany. More than 15,000 employees are currently engaged in this work as volunteers. They help people who have fled their home countries to find their footing in a foreign world with a foreign language. Furthermore, our company also offers job prospects. More than 750 refugees have already learned more about our work. Be it in training programs or even as permanent employment.

To summarize briefly: Logistics is the backbone of global trade, which continues to grow. E-commerce is a key market. Growing trade means growing shipping volumes. The only way to manage this in a climate neutral manner is to expand e-mobility and other forms of green logistics.

As a crucial sector of everyday life, logistics also contributes to society. Deutsche Post DHL Group defines this as part of its strategy.

Following a clear strategic path

Corporate responsibility is an important part of our Strategy 2020. It gives direction for everyone in the Group. We define logistics. We provide the best quality. And we are well on track. This is evidenced by our success in the past year.

All divisions are on target with the right products. We grow with our customers and enter new markets. E-commerce plays a key role in this. On the one hand, we benefit from this trend. On the other hand, we bolster it. Because we keep making it easier than ever to send and receive parcels. New technologies help us to do this. They create the basis for new business.

We want to be the industry leader in a digitalized world

New technologies create new opportunities. The big question now is: who will prevail in the digitalized world? The answer is simple: it will be the companies that perceive change as an opportunity. Companies that use new technologies in a smart way.

We have a clear ambition for ourselves. We will be the industry leader in a digitalized world. I am sure that we can achieve this. As in the past, we will find the right answers. Just as in the mid-nineties, when we stood at a turning point. At that time we completely reinvented ourselves. We set new standards for letters and parcels. Then we built a global network structure. Today we are the global market leader in logistics.

New technologies offer new opportunities for the next step. They make things easier and more productive – for our customers and for ourselves.

We are reinventing logistics

Two things will become increasingly important in the future: one is technology, the other is openness for change. Both characterize innovative companies. In our DHL Innovation Centers, our experts look to the future with customers and researchers. Together we analyze trends and their impact on logistics. We research all aspects of topics such as robotics, autonomous driving, or big data. And we pass along our knowledge – for example in the form of DHL Trend Studies. As pioneers in our sector, we reinvent logistics every day. That is our aspiration. And that is what our customers expect from us.

Man-machine collaboration

We do more than just research. We make new ideas fit for everyday use. Such as the DHL Parcelcopter. We have made history with this parcel-delivery drone.

The EffiBOT is another example. This robot, in the form of a trolley, was developed by a French startup. Man and machine work seamlessly together in the warehouse. The robot follows the colleague through the aisles of the racks. The employee loads up the trolley and then sends it to the storage location. Meanwhile, the next EffiBOT comes rolling in. This teamwork has numerous advantages: The robot takes on the major part of the heavy work. The employee can keep both hands free to work.

This process is currently being tested in various locations. We are very pleased with the results.

Smart delivery

Another example is our project with Smart. There are many ways to deliver a parcel. Why not also use the car as a mobile delivery address?

Owners of Smart cars can already do this in Stuttgart, Cologne, Bonn, and Berlin. They can have their parcels delivered to the trunk overnight. It couldn't be easier.

All that is needed for this is a smartphone. The customer informs us about his online order. Our driver locates the vehicle with the app and opens it using a unique code. The trunk is used as the delivery address.

Digital freight platform

We are also exploring new models in freight forwarding. Last year we founded a startup for this purpose. On the virtual marketplace Saloodo! we match supply with demand for transport. This ranges from one pallet to a large-scale order. This offering has been available to any carrier since January 2017. The entire process is handled electronically. We have thus created a digital freight forwarding platform. Some 1,900 carriers have already been registered.

Corporate culture as a competitive advantage

As you can see, we are evolving our company with digital technology and new ideas. But it also needs a strong environment. We invest substantially in the culture of the company. Once a year we survey all employees in the Group. The results have great significance. They show whether we are pursuing a course that we all want to travel.

We surveyed all employees in 2016 as well. Their "Yes" on the company and our strategy was higher than ever. This was not a given, especially after a difficult year such as 2015.

With "Certified", we have launched a special initiative. By 2020, more than 80 percent of the employees will have taken part. They gain basic knowledge of the industry and our company. And they can augment their knowledge. More than 200,000 colleagues have already taken part and are enthused. We are making our employees fit for the future.

Of course, we are also making managers accountable. We expect a continuous learning process. Whoever wants to shape the future, must also reinvent himself or herself time and again. We are working on it.

On the road to success

Let me briefly summarize: We achieved a lot in 2016. Our work has paid off. Our top DHL customers are more satisfied than ever. Our annual employee opinion survey has shown that the buy-in is at a record level as well. This is important. Satisfied employees are the basis for good performance. And in 2016 that was the basis for operating profit of EUR 3.5 billion. This was a record, which we can pass on to you through a high dividend.

We have a clear vision of how this should continue. We work in an industry that is in a state of flux. Change is good. It creates room for new ideas. The future of logistics remains exciting – also for you as a shareholder.

The future is an opportunity

We are driven by just three major issues: global connectivity, environmental protection, and new technologies.

Global trade has moved the world ahead tremendously. Protectionism is not a solution. When countries isolate themselves, the quality of life and level of education decline. Nobody wants that.

Climate protection belongs at the top of our agenda. We owe it to the future of our children and our grandchildren. E-mobility and new networks are necessary for this. With the StreetScooter we show that a great deal is possible.

For me, new technologies open the door to growth and new career possibilities. Technology enables greater productivity. That is exactly where our chance lies. But technology is never an end in itself. It provides added value. In logistics, it delivers this. It makes processes faster and more transparent and reduces errors.

And it creates new job profiles. This is both a duty and an opportunity.

For me, the future is not threatening. It stands for innovation, for progress. I am certain: tomorrow will be better than today.

We will continue to deliver

Deutsche Post DHL Group looks forward to the future with confidence. We shape the future of logistics. We are investing in expanding our network and in technology. We are working in a focused and connected way – and we will continue to grow. With our 510,000 employees, we will continue to shape the future.

I would like to thank all of our company employees. Your loyalty, your commitment and your contribution to our success make us a strong enterprise with enormous potential. My thanks also go to the members of the Supervisory Board. They have constructively supported the work of the Board of Management.

Last but not least, I would like to thank you – our shareholders – for placing your confidence in us. We will not disappoint you in the future.