



Annual General Meeting Deutsche Post DHL Group

Speech by Dr. Frank Appel, CEO
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Dr. Frank Appel
CEO
Deutsche Post DHL Group

Dear shareholders,

Dear guests,

Welcome to the Annual General Meeting of Deutsche Post DHL Group.

Good morning to all our guests here in Bonn and thank you to everyone watching the livestream.

How do we assess the past year? What are we currently working on?

What are our goals for the future?

2018 was an exception.

We did not meet our forecast.

Deutsche Post shares lost 42%.

There is no escaping these truths.

It wasn't the market's fault.

It wasn't the industry's fault.

Our problems were homemade.

And we have lost trust.

But we refused to accept this situation.

We have learned from it and taken action.

Challenges are part of our history.

We have always mastered them. That's exactly what we're doing now.

After all, we are well-positioned.

Worldwide, financially strong, with clear targets for a good 2019.

This year, we will take a big step forward.

2018 target adjusted

On June 8, we revised our 2018 forecast. It was no longer possible to achieve our target operating profit of €4.15 billion. We adjusted it down by almost €1 billion. It was a difficult but deliberate move.

It was clear that the former Post - eCommerce - Parcel division would not achieve its target. This led to headlines like "The Postal Disaster" or "Chaotic Days at the Logistics Giant". We endured and reorganized.

The bottom line is that in the Post - eCommerce - Parcel division we were focused on the wrong things. We increased our market share but paid too little attention to costs and income. We started many new things and did too little for the actual business. We're straightening that out again right now. I don't believe in miracles. I believe in convincing strategies that are actually implemented. After a few corrections, we are back on track. And we're stepping on the gas.

It goes without saying that the adjustment was unsettling. You see that in the Deutsche Post share price. Highest price in 2018: €40.96. Lowest price: €23.72. Deutsche Post shares lost 42% last year. Only number 25 on the DAX 30. Only number 48 on the EuroStoxx 50. We are not satisfied with that. I am not satisfied with that.

We only achieved a lowered financial target. Operating profit (EBIT) was €3.2 billion. That's 15.5% less than in the previous year.

At PeP, we earned just under €700 million. 56% and around €800 million below the previous year. We have set the right course. This cost money and put pressure on earnings in the short term. But this helps us to significantly improve quality. We are spending around €150 million a year on this. In Germany, we are divesting businesses that are not Post & Parcel. And we are streamlining our structures. In 2018, the reorganization cost a one-off sum of around €500 million. That hurts. But it sets the stage for a better 2019. And, more importantly, beyond that.

DHL, on the other hand, earned around €2.9 billion in 2018. And DHL Express set new records again. The result: 13% more than the previous year.

Organic growth

In 2018, revenue totaled €61.6 billion. That is organically 6% more than in the previous year. What does organic mean? Fluctuating exchange rates, the sale of businesses and new structures are not included. Only the actual business counts.

We are on solid ground. As expected, the volume of traditional mail continues to decline. On the other hand, we delivered over 7% more parcels in Germany than in the previous year. E-commerce is growing. We benefit from this. The same goes for global express shipments. 7% growth means that we're making better use of our network. In freight forwarding, revenue grew organically by just under 7%. We also increased revenue in contract logistics by more than 4%.

We are a healthy company. And, despite all the doomsayers, global trade continues to grow. More slowly, but it is growing. And logistics is growing with it.

Highlights 2018

It is a fact that 2018 was difficult. But it is also true that every division achieved successes in 2018.

7.5% more parcels in Germany.

12.1% EBIT margin at Express. That's a new record. Way ahead of the competition. Express is the provider with the best margins in the industry.

Freight forwarding increased profits by nearly 50%, or €145 million. Compared internally, this is the strongest progress of all our businesses. The recipe for success: a clear focus on profits and costs. We are well on our way and are growing profitably, supported by new IT systems that work well.

Contract logistics is also on the upswing. Customers are increasingly outsourcing their logistics to third parties. In return, they expect simple processes and low costs thanks to new technologies. That's exactly what we stand for. In 2018, we received new orders worth €1.3 billion. And we exceeded our financial targets in five out of six subregions.

Unchanged dividend of €1.15 per share

For 2018, the Board of Management and the Supervisory Board propose a dividend of €1.15 per share. The same amount as last year. 55% of net profit. Around €1.4 billion. Just as we set it in our strategy: 40 to 60%. And that despite a difficult year. If you agree, we will pay the amount to you on May 20, 2019.

And here is a short note that I have to give for legal reasons: at the end of August 2018, the waiting period for the first tranche of our Performance Share Plan ended. This is a share-based executive compensation program. We introduced it in 2014. The previous program had expired. The company serviced this tranche in September 2018 with 2,420,108 new shares. This was done from Contingent Capital 2014. It corresponds to around 0.2 % of the share capital.

We wish to thank you for your loyalty and the trust you have placed in our company. We are a strong company. With financial strength that remains substantial.

The course for the future is set

In 2019, we will take a big step forward. We are positioning ourselves better at Post & Parcel Germany. Progress is not immediately reflected in financial figures. Our focus is on the future.

For 2019, we are forecasting a Group-wide operating profit of €3.9 billion to €4.3 billion. We will continue to grow profitably. Our promise for 2020: more than €5 billion. Ambitious, but not excessive. This is the only way we can invest in our network and in work with a future.

We have a very clear plan. That's why we are reinventing ourselves a little bit every day. Our strength is unwavering. And we are regaining trust. This is reflected in our share price. Since the beginning of 2019, Deutsche Post shares have risen by 18.5%.

The first quarter 2019 went as we expected. We achieved growth in all five divisions. Revenue increased by more than 4% to €15.4 billion. Operating profit was at €1.2 billion. This is – partly thanks to positive non-recurring effects – 28% more than in the previous year. We are performing according to plan and are confident that we will reach our targets in 2019 and 2020.

We are Post & Parcel Germany

Post & Parcel Germany had a difficult year. We are still in the midst of change. The division is large. But the problems have been identified. Measures have been taken. There is still a lot to do, but we are looking to the future.

We had lost focus. We wanted and tried to do too many things at once. But we have learned. Online supermarkets or travel offers such as Post Reisen are now history for us. We are now re-pooling our strengths for what you expect from us. We transport, sort and deliver documents and goods. That's our mission. What we are the best at. It's as simple as that.

Tobias Meyer has been leading Post & Parcel Germany since April 1, 2019 as new member of the Board of Management. He has the skills needed to complete this task. He has helped develop the improvement plan in recent months.

A look at mail and parcel

Let's take a look at the German mail and parcel market: the number of letters is declining; the quantity of parcels is increasing. Every year we process 2% to 3% fewer letters. Digital communication is increasingly replacing traditional mail. We cannot change that.

But that's only half of the story. Our company has high fixed costs. We deliver six days a week. Our costs are rising significantly. In October, we increased wages by 3%.

Volumes are falling, costs are rising. There is a need for adequate leeway for higher prices. We're looking into our possibilities. What do you think? How much does an average household in Germany spend on postage? It's just €2.34 a month. The average price for a domestic letter in Europe is €0.94. The Federal Network Agency is our supervisory authority. It intends to allow Deutsche Post to increase the price of regulated letters by an average of 10.6% on July 1, 2019. The final decision will be made by the end of May. We will then be able to ultimately decide which products will be priced differently. Higher prices make it possible to finance the costs of better quality and good wages. Our wages are far above the minimum wage – as well as above what competitors pay. Long-term success in the market can only be achieved with the best working conditions.

In contrast to mail, the volume of parcels continues to rise steadily thanks to e-commerce. But that doesn't mean profits are increasing automatically. Transporting, sorting and delivering parcels is complex. Much more complex and expensive than mail. That comes with a price tag.

The postal market in Germany has been fully open for ten years. Since then, there is no longer any postal monopoly. The legal requirements have not changed for two

decades. What has changed is people's behavior. Many things no longer fit together. That's why the legal framework should be revised and modernized.

Our goals for the future

In 2019, we will take a big step forward. Our goal is clear. We are Germany's best mail and parcel service. We are the best team in the business. We deliver the best quality. We achieve the best results.

Let's start with quality. For us, quality is number one, and it demands high standards. Good quality requires clear targets and good implementation. At Post & Parcel Germany, we start at the end and think back from there. Our success is defined by delivery. Reliable, at the right time, to the right place. In the past year, we've not always done this well. Sometimes our quality suffered. Complaints have risen. But we have reacted to that. And we're getting better. But we also did a lot right in 2018. We won prizes. "Germany's service king". "2018 Brand of the Year in Germany". "2018 Highest Customer Confidence". That makes us proud and spurs us on for the future.

Quality has its price. We will adjust our letter prices as soon as the legal framework allows. I already mentioned that. We have adjusted our parcel prices. Everywhere, where our expenses were not covered. If it requires more work, it costs more. Bulky parcels, for example. Or agreements that are not adhered to and that hinder operations. Where necessary, we work with our customers to optimize. We don't just want to be profitable. We have to be profitable. Only the best results will secure the future.

To deliver quality, you need the right priorities. What creates value for customers? How do we best organize ourselves? Are we simple and good enough? What do we want to afford in the future? What can we afford?

Quality also means optimized costs, in operations and everywhere else.

On April 1, 2019, we created new structures. This includes a leaner organization. We have built up €400 million in reserves for our offer of early retirement to civil servants. The offer has been well received.

Quality is only possible with the right cooperation. Last year, I had many discussions with colleagues, including in our operations. I explained a lot and learned a lot myself. 2018 was difficult. But the fact that we have a great team was always beyond question. Motivated. Strong. Every day, rain or shine, they are out there for you.

I am proud of my team. They are the best in the business. And I'd like to take this opportunity to thank them for their commitment and great work.

We're investing in the future

We haven't reached the finish line yet. Our goal is to be reliable, simple, better. But getting better costs money.

We will invest €150 million annually. In personnel, technology, equipment. And we will create at least 5,000 new permanent jobs at Post & Parcel in 2019 alone. In addition, new machines for our mail centers. New reading technology in our parcel centers. This contributes to reliable, customer-centric operations.

Quality means fulfilling promises. Quality makes you proud.

We set fair standards

As Post & Parcel Germany, we are part of everyday life. Our industry is highly competitive. The work of our couriers routinely makes headlines. Especially in our parcel business.

We are different from the others. DHL sets fair standards. Everyone at DHL has a right to fair wages.

To date, we have also been the only provider in the mail and parcel sector to pay nationwide in accordance with collective bargaining agreements. And we paid significantly more than the minimum wage. This is also true for the current wages of employees in our DHL Delivery GmbH. The regional collective wage agreements concluded with ver.di for the freight forwarding and logistics sector apply here.

A few weeks ago, we concluded a forward-looking agreement with ver.di. On July 1, 2019, we will transfer 13,000 employees from DHL Delivery GmbH to Deutsche Post AG.

We have also extended layoff protection until the end of December 2022. And we will not outsource mail delivery or combined mail and parcel delivery to third parties until the end of December 2020.

You can only motivate people if you pay them appropriately. You will only survive in the market in the long term if you invest in the best work.

New international structure

We are also repositioning the former Post - eCommerce - Parcel division abroad. Since January 1, 2019, the German business has been known as Post & Parcel Germany. Since then, we have been operating abroad as DHL eCommerce Solutions under Ken Allen. As a colleague on the Board of Management, he made Express successful for many years. Now, together with the team, he will expand our opportunities as an e-commerce logistics provider.

We're talking about an attractive, growing market. At the moment, we are taking a critical look at all our businesses. We don't just want to generate revenue. We want to make a profit. Our goal is not just growth, but income. How do we get there? By investing in the right place with the right approaches. The goal is simple offers for customers and tailored participation in the market.

Excellence. Simply Delivered.

DHL has always won over customers with quality – that's the way we have grown. DHL has been a success since 1969. Today, DHL is one of the 100 most valuable brands in the world. Our brand is currently valued at US\$21 billion.

DHL is the perfect partner for global logistics. Bryan Adams agrees. Right now, the Canadian rock star is touring the world with his band. He will be performing in over 20 countries. With DHL as the official logistics partner. That's a source of pride for us.

Incidentally, together, we're also promoting environmental protection. DHL will plant a tree for every ticket sold. We're sure that together we will achieve a lot.

DHL's 50th anniversary – a reason to celebrate

As the first man stepped onto the moon, three men stepped into new territory on Earth. Their names: Adrian Dalsey, Larry Hillblom and Robert Lynn. On September 25, 1969, they founded DHL. In this "Summer of 69", they laid the foundation for the company with the largest worldwide presence.

The idea was as simple as it was groundbreaking. Send the dispatch paperwork ahead by air. Then the customs documents are ready when the goods arrive by sea. That saves days or even weeks. The air express business was born. What began back then on the route from San Francisco to Honolulu is now a global business. One that covers every aspect of logistics. With around 380,000 employees in over 220 countries and regions of the world.

We are further strengthening our network

We're continuing to expand our network. John Pearson has been responsible for the DHL Express business since January 1, 2019. A passionate Express man who is building on the success of his predecessor, Ken Allen.

Our Express hubs are the backbone of our network. Leipzig, DHL's largest and most modern, celebrated its tenth anniversary in September 2018. The hub can sort up to 150,000 shipments per hour. With 5,700 employees, it creates jobs for an entire region. To date, we have invested €622 million in Leipzig.

In America, our hub is in Cincinnati. Around 80% of the region's international air freight passes through this hub. DHL handles almost 100 flights a day there. Leipzig, Cincinnati and Hong Kong – these are the cornerstones of a unique global network.

We will continue to invest and expand as demand increases. E-commerce is driving the need for increased express shipping capacities.

Road to success

DHL is the leading provider of road transport services. 2018 was a good year. Take the logistics we provide for the BMW Group. We have been working well together since the 1980s. Last year, our successful collaboration massively expanded. New transports were added. And together we have improved processes. With an end-to-end digital supply chain. Orders and status can be viewed online.

How exactly does that work? DHL receives orders digitally. We collect the goods from the supplier and scan them. The transport and arrival time at BMW are specified. The truck basically becomes an extended workbench. There are more than 1,000 trucks in operation for BMW every day. 2,000 suppliers are part of the network. BMW receives a status update every 15 minutes. The DHL Control Tower in Munich monitors the entire chain. We know where the goods are at all times. If something does not arrive on time, we take action. Either BMW responds on site, or we make a special delivery. By working together, we make complex processes easier to manage. That's what we call simplification. That's what we call "Excellence. Simply Delivered".

Taking off together

DHL is also making life easier for the airline easyJet. More than 850 employees help to ensure that everything runs smoothly.

We maneuver aircraft. We load and unload them. We process and sort the luggage. An average of 12,000 suitcases and other cargo per day. The DHL team has been working for easyJet at London Gatwick since November 2017. The cooperation has

been a success from day one. Teams have been working in Manchester and Bristol since February 2019. 700 flights a week from Bristol, 500 from Manchester.

That, too, is logistics.

Center for new technology

New technologies make a lot of things easier. Especially in warehouses. New technology reduces the physical burden on employees, increases capacities and improves operations. Computers take over routine jobs. Drones make warehouses safer. Smart glasses guide people and reduce errors. DHL invests in new technologies. US\$300 million in North America alone. 350 of the 430 locations there are already equipped with robotics or are connected to our new customer portal. Warehouses are increasingly transforming into centers of technology.

The entire supply chain is being digitally redefined. The result: better quality, lower costs, higher revenue.

New paths in China, Hong Kong and Macau

Plotting new courses can open up new opportunities. One opportunity lies in the fact that we do not do everything ourselves. Rather, we work in markets with partners.

That is how DHL Supply Chain and S.F. Holding became partners in 2018. This involves China, Hong Kong and Macau.

It's a win-win situation. We will receive a fixed sum of €653 million. And S.F. Holding will pay us a fee for the next ten years. The fee depends on the revenue. In return, they offer us a comprehensive network and a broad customer base.

What does S.F. Holding receive in return? First-class DHL expertise and technology and our business in these markets. The result: a new approach in one of the most important markets in the world.

Corporate Incubations

In April 2018, we created a new board department: Corporate Incubations. What's the purpose? Under the leadership of Thomas Ogilvie, the department is working on the logistics of the future and trying out new things. That's how we create added value for our customers and, ideally, make history.

StreetScooter is an example of this. More than 9,000 electric vehicles are in operation. Over 75 million kilometers driven. More than 11,000 charging stations in Germany. 32,000 tons of greenhouse gas saved. Those are impressive numbers. And we're not the only ones – many others are also on board. In May 2018, the British company Milk & More bought 200 vehicles. In March 2019, the Japanese logistics company Yamato Transport ordered 500 vehicles. Today, we're mass producing them and making e-mobility the standard in our industry.

StreetScooter is not our only showpiece. TRAILAR is also a fantastic innovation. The idea, sparked by two employees, became a reality in just two years. What's it all about? Using solar energy on trucks, trailers and other vehicles. Solar matting generates electricity. Which helps to save fuel and CO₂.

The idea attracted a lot of attention at the IAA Commercial Vehicles 2018 in Hanover. TRAILAR is currently in operation in the UK. Further tests are underway in Germany, South Africa, Thailand and India. The now independent subsidiary has already sold its first units to third parties.

Strength through diversity

Our diversity makes us strong. We unite people from many cultures and with many ideas. In Germany alone, we employ people from over 150 countries. Our motto is: Everyone successful, strong together.

With 550,000 employees, we are one of the world's largest employers. In 2018, we hired around 7,000 new employees in Germany and around 28,000 worldwide. In one year! That's the size of a large company.

Our industry has become more attractive. New technology offers new opportunities. And it attracts talented people who may have been less interested in logistics in the past.

Last year, we had another reason to be proud. DHL was recognized as the sixth best place to work globally in an employer ranking from Great Place to Work®. Two places higher than the previous year. We were the first German company to receive the Catalyst Award because we promote women in leadership. We offer opportunities. We have trained or employed more than 7,000 refugees since the end of 2015.

Measurable contribution for others

We're doing things for the people in our company. And we're doing things for society. In February 2019, we opened a new center for humanitarian logistics. It's located in Dubai. Through the center, we're supporting partners by developing the right solutions for their humanitarian aid in the Middle East and Africa. The new system is part of our worldwide DHL network.

As are our Disaster Response Teams, which can deploy quickly in the wake of a disaster. The most recent mission was in Mozambique. It was our first mission in Africa. On March 14, 2019, Cyclone Idai hit Mozambique and neighboring areas. The damage is considerable. Hundreds of thousands lost their homes. Large parts of the country were cut off from the outside world. When something like this happens, it triggers a huge response. The world wants to help. But roads are destroyed. Ocean freight is too slow. Everything arrives by plane in the first few days. All at once. The small airport is basically overwhelmed with aid. Twelve DHL volunteers were on site to help. They unloaded planes and prevented bottlenecks. Fifty airplanes, 800 tons of relief aid. This means unloading, repacking, properly storing and quickly getting the essentials on their way. A well-oiled machine. That's the only way to ensure the aid reaches people quickly. Their mission ended after about three weeks. They're all exhausted, but happy they were able to help.

In 2018, we celebrated an anniversary. Ten years of Global Volunteer Day. For ten years now, thousands have been volunteering their time to help thousands of others. In 2018, 123,000 employees participated. Either by volunteering their time or making donations. That resulted in around 3,400 projects and 374,000 hours of voluntary social work. Our people are proud to help – and they're doing it outside of working hours. They are forming strong bonds and gaining strength from within.

We connect people and improve their lives

I am an avowed supporter of global free trade. Free trade is good for the world. No country has ever been successful by sealing itself off.

That is also true in Europe. That's why leaving the EU is not a good idea. It's like smashing a window just because it's dirty. You may get a clearer view, but you now have lots of new problems. Brexit has made this very obvious.

Deutsche Post DHL Group has been preparing for months. We are working with scenarios. We have drawn up emergency plans and increased capacity. Our goal is to ensure that processes are as smooth as possible for our customers.

In just a few days, we'll be voting on the future of Europe. 500 million people in 28 EU member states will elect a new European Parliament. A lot is at stake. Europe is a success. Peace. Democracy. Common rules for the largest internal market in the world.

Voting is the best response to populists. Europe must rediscover itself and its role in the world. Europe is important. I stress this again and again when I talk with our employees. I wish for a new, courageous Europe. A Europe that makes people feel they are part of something. A better life for our children and their children. I can't imagine anything more beautiful.

That's why our company is a member of the "European Movement Germany". We have around 350,000 employees in Europe. That's over 60% of our workforce. Europe has achieved a lot but is not a sure-fire success. Europe must come together.

Elections give people a voice and shape the future. Europe creates stability in our world. A world in which nobody will solve the big problems alone. Because problems do not end at the border.

We are shaping the future

Deutsche Post DHL Group is the leading company in an attractive market. We are the global powerhouse of logistics. We need to base our work on sustainable results. This is the only way to achieve progress and growth. We're relying on our capabilities to do that.

With our global network, we open doors. We do everything we can to open them further and further. Markets instead of ideologies. Broad access to progress instead of stagnation or regression. Contact with others instead of isolation.

I believe new technologies are the key to new opportunities. Future business models will fundamentally change the way we do business.

We will continue to invest in global networks and technology in the future. We've budgeted around €3.7 billion globally for 2019 alone.

E-commerce is driving growth, but also increasing pressure. In terms of costs, competition and with respect to our customers.

In a time of restrictions on diesel vehicles, environmental protection has become a hard reality. Growth may not take place at the expense of the environment. With our Mission 2050, we have set ourselves ambitious goals. Zero-emission logistics: We are certain that it can be done.

Our aspiration: Customer-centric, results-driven, flexible

Deutsche Post DHL Group is well positioned, both strategically and financially. We have a clear agenda. We are investing in the right markets and working on a better

2019. We know where we need to get better. We are doing our part for society.

The magazine Focus Money summed it up when they wrote: “The future is yellow” and “it’s time to rediscover our love of Deutsche Post shares”. We agree.

550,000 employees worldwide – that’s a strong team. Every day, all over the world, they give their best for our customers. They are the measure of our success. I am very proud of our team. Even in difficult situations, they never let themselves get down.

On behalf of the entire Board of Management, I say: Thank you. I would also like to thank our shareholders and customers.

Together, we will do everything we can to keep this company fit for the future. We’re taking action today so that things run smoothly tomorrow.

Success means profitable growth.

For a long-term perspective.

For secure jobs.

For shared success.