Press release

Deutsche Post DHL Group

Deutsche Post DHL Group confirms earnings targets for 2018 and 2020 – Q3 EBIT in line with expectations

- **Group revenue improves to EUR 14.8 billion in third quarter, organic increase of 4.7%**
- **DHL divisions continue to perform well, implementation of the announced measures to improve profitability at Post - eCommerce - Parcel (PeP) on track**
- **Third-quarter Group EBIT negatively impacted by planned one-time expenses at PeP: Group operating profit at EUR 376 million below last year, as expected**
- **CEO Frank Appel: "We are confident that we will reach our earnings targets for 2018 and 2020."**

Bonn, November 6, 2018: Deutsche Post DHL Group, the world's leading mail and logistics company, continued to grow in the third quarter and is well on its way to reaching the Group's earnings targets for full year 2018. Between July and September, Group revenue increased by 1.4% year on year to EUR 14.8 billion. The revenue increase was 4.7% adjusted for currency effects and portfolio changes. Notable increases at Express and Global Forwarding, Freight mainly contributed to the Group's s organic revenue, which continued to rise significantly thanks to the booming e-commerce business and continued momentum in international trade flows. The Group's operating profit (EBIT) came in at EUR 376 million for the third quarter. While this figure was below the prior-year amount of EUR 834 million, it was fully in line with the Group's forecasts. All of the DHL divisions reported EBIT increases, some significant. However, earnings in the Post - eCommerce - Parcel (PeP) division were below last year, as expected. The decline was above all due to planned, previously communicated one-time charges relating to profitability improvement measures at PeP. Of the restructuring costs of around EUR 500 million announced for 2018 last June, the Group recognized the majority (EUR 392 million) during the third quarter. Adjusted for those expenses, the Group's operating profit was EUR 768 million. In addition, Deutsche Post DHL Group has spent EUR 45 million of the announced yearly investment of EUR 150 million in productivity increases.

"Deutsche Post DHL Group remains in good shape with our fundamental growth drivers intact. This is especially evident in the continued good performance of our DHL Express, Global Forwarding, Freight, and Supply Chain divisions in the third quarter. We are tackling the challenges in our Post - eCommerce - Parcel division with determination and are making good progress in implementing the announced measures to improve productivity and the cost structure. The results of our efforts will already be clearly visible over the coming year," says Frank Appel, CEO of Deutsche Post DHL Group. "We are confident that we will reach our earnings targets for 2018 and 2020 despite the significant rise in macroeconomic risk factors in recent months due to trade disputes and currency fluctuations, for example."

Earnings forecasts for 2018 and 2020 confirmed

All in all, Deutsche Post DHL Group generated consolidated net profit after non-controlling interests of EUR 146 million in the third quarter of 2018 (2017: EUR 641 million). The decline is mainly attributable to lower EBIT in the PeP division. Basic earnings per share decreased accordingly to EUR 0.12 (2017: EUR 0.53). In view of the challenges at PeP, the Group adjusted its forecast for the financial year in June 2018. The company now expects to generate EBIT of around EUR 3.2 billion. The PeP division is projected to contribute around EUR 0.6 billion to that total, while the DHL divisions are still expected to reach around EUR 3.0 billion. The Corporate Functions result, which now also includes the activities of the new Corporate Incubations board department, is expected to come in at around EUR -0.42 billion.

As already communicated in September, Deutsche Post DHL Group plans to make changes to the Group structure effective January 1, 2019. The PeP division will be split into two separate divisions, one German and one international. Post - eCommerce - Parcel will be renamed "Post & Paket Deutschland," reflecting its future focus on the post and parcel business in Germany. The international parcel and e-commerce businesses – previously DHL Parcel Europe and DHL eCommerce – will be established as a new standalone division, DHL eCommerce Solutions. The changes will take effect on January 1 and will be reflected in the report on the results for the first quarter of 2019 to be published on May 10, 2019.

Deutsche Post DHL Group still intends to increase operating profit to more than EUR 5 billion by 2020. Post & Paket Deutschland and DHL eCommerce Solutions are expected to contribute around EUR 1.7 billion and the DHL divisions around EUR 3.7 billion to that total.

The earnings forecast for 2018 does not reflect potential positive effects related to the Supply Chain-transaction in China.

Capital expenditure and cash flows: continued high investments for sustainable growth

Deutsche Post DHL Group again made targeted investments during the third quarter to further strengthen its foundation for long-term profitable growth. The company invested a total of EUR 827 million across all divisions from July to September (2017: EUR 440 million). Investments focused on initiatives that included expanding hubs and the renewal of the aircraft fleet used by

Express as well as the further build-out of the domestic and international parcel infrastructure and expansion of the StreetScooter fleet of electric vehicles. For full year 2018, the Group projects an increase in capital expenditure to around EUR 2.7 billion (2017: EUR 2.3 billion).

Due above all to the high level of investment in growth areas, free cash flow fell to EUR 143 million compared with EUR 502 million in the prior-year quarter. The increase in operating cash flow to EUR 1.4 billion in the third quarter (2017: EUR 1.0 billion) was due in particular to the transition to the new IFRS 16 accounting standard.

PeP: earnings burdened by one-time expenses to improve profitability

The Post - eCommerce - Parcel division reported revenue growth of 0.6% to EUR 4.3 billion in the third quarter of 2018. Significant revenue increases in the Parcel Germany, Parcel Europe and eCommerce business units compensated for the decline in the Post business unit.

Revenue was up by 6.7% at Parcel Germany, 10.3% at Parcel Europe and 6.2% at eCommerce in the third quarter of 2018. The upward trend is another reflection of the Group's strong position as a market and innovation leader in the dynamically growing e-commerce market.

In the Post business unit, revenue decreased by 4.4% year on year to EUR 2.3 billion. The drop was mainly due to ongoing structural volume declines in the mail business. In addition, the prior-year figure had been positively impacted by additional volumes relating to the German parliamentary elections.

Operating profit in the PeP division amounted to EUR -209 million in the third quarter, compared with EUR 307 million a year earlier. The decline was due above all to the one-time expenses announced last June for initiatives to improve PeP’s profitability. To safeguard the EBIT growth forecast for the coming years, the Group had decided on a series of measures. The steps planned are specifically intended to improve productivity, reduce indirect costs and drive active yield management in the Post and Parcel business. As expected, the Group is making good progress here. Of the restructuring costs of around EUR 500 million budgeted for 2018, Deutsche Post DHL Group recognized EUR 392 million in the third quarter after having spent EUR 51 million in the second quarter. The majority of the restructuring costs were attributable to an early retirement program focusing on civil servants working in indirect functions. In addition, the Group invested EUR 45 million of the announced operating expenses figure of EUR 150 million in productivity increases in the third quarter.

Adjusted for the expenses of EUR 437 million, operating profit came to EUR 228 million in the third quarter. The decrease of EUR 79 million on the prior year was primarily due to higher transport and staff costs. This is on track for reaching the 2018 earnings targets.

Express: revenue and EBIT again see significant growth

In the third quarter, the Express division again continued the very good revenue and earnings performance sustained over several years. Revenue rose by 7.2% on the prior year to EUR 3.9 billion, and on an organic basis revenue even climbed by 9.1%. The upward trend was once again driven by solid growth in the international time-definite (TDI) delivery business, where daily volumes rose by 5.3% compared with the prior-year period.

The sustained growth in volumes enables the division to utilize its unique global express network even more efficiently. The Express division successfully grew operating profit by 9.9% to EUR 409 million on the back of strict yield management and continuous improvements in the network. The operating margin improved to 10.5% (2017: 10.2%).

Global Forwarding, Freight: further strong profitability improvement

The Global Forwarding, Freight division maintained the positive trend of previous quarters during the third quarter of 2018. Divisional revenue was up by 4.2% to EUR 3.7 billion, despite the more selective approach taken with regard to the profitability of certain contracts. Adjusted for negative currency effects, revenue improved by an even more substantial 6.8%. Gross profit, which is an important performance indicator for Global Forwarding, Freight, continued to develop very positively with an increase of 4.2% over the prior year to EUR 887 million.

As in previous quarters, the division succeeded in translating its upward trend in gross profit into a significant EBIT increase in the third quarter. As a result, operating profit at Global Forwarding, Freight climbed by 58.2% to EUR 106 million. This shows that the initiatives to improve cost efficiency are taking effect.

Supply Chain: EBIT margin within the corridor targeted for 2020

Revenue in the Supply Chain division came in at EUR 3.3 billion in the third quarter (2017: EUR 3.5 billion). In addition to negative currency effects, the revenue decline mainly reflects the sale of UK subsidiary Williams Lea Tag. After adjusting for those factors, the division's revenue increased by 2.3%. DHL Supply Chain continued to generate new business, concluding additional contracts in a total volume of EUR 252 million with both new and existing customers during the third quarter.

Operating profit improved by 3.4% to EUR 153 million. The EBIT margin was 4.7% in the third quarter, which is already within the corridor targeted for the medium term. The goal of the ongoing optimization program is to increase the operating margin of the Supply Chain division to between 4% and 5% by 2020 by increasing standardization, improving efficiency and better leveraging economies of scale in the global business.

First nine months: organic revenue growth of 5.8%

Group revenue rose by 0.7% on the prior year to EUR 44.6 billion in the first nine months of 2018. Adjusted for currency losses, the sale of Williams Lea Tag and other small portfolio effects, revenue was up by 5.8%. All four divisions contributed to the growth in organic revenue. Operating profit fell from EUR 2.6 billion in the prior year to EUR 2.0 billion, mainly due to the one-time expenses incurred to improve profitability at PeP. Consolidated net profit after non-controlling interests dropped 32.7% to EUR 1.3 billion in the first nine months of 2018 (2017: EUR 1.9 billion). Higher interest for lease liabilities had a negative impact on the financial result. Basic earnings per share decreased in line with net profit, declining from EUR 1.55 to EUR 1.03.

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Note to editors: An interview with CEO Frank Appel is available at **www.dpdhl.com**. The Investor Webcast will be streamed from 2 p.m. on our website.

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Deutsche Post DHL Group is the world's leading mail and logistics company. The Group connects people and markets and is an enabler of global trade. It aspires to be the first choice for customers, employees and investors worldwide. The Group contributes to the world through responsible business practice, corporate citizenship and environmental activities. By the year 2050, Deutsche Post DHL Group aims to achieve zero emissions logistics.

Deutsche Post DHL Group is home to two strong brands: Deutsche Post is Europe's leading postal service provider. DHL offers a comprehensive range of international express, freight transport, and supply chain management services, as well as e-commerce logistics solutions. Deutsche Post DHL Group employs approximately 520,000 people in over 220 countries and territories worldwide. The Group generated revenues of more than 60 billion Euros in 2017.

Die Post für Deutschland. The logistics company for the world.

Group financial highlights for the third quarter of 2018

in EUR million	Q3 2017	Q3 2018	Change in %
Revenue	14,639	14,849	1.4
- of which international	10,221	10,435	2.1
Profit from operating activities (EBIT)	834	376	-54.9
Consolidated net profit[1)]	641	146	-77.2
Basic earnings per share (in EUR)	0.53	0.12	-77.4
Diluted earnings per share (in EUR)	0.51	0.12	-76.5

Divisional revenues in the third quarter of 2018

in EUR million	Q3 2017	Share of total revenues in %	Q3 2018	Share of total revenues in %	Change in %
Post - eCommerce - Parcel[2)]	4,302	29.4	4,329	29.2	0.6
Express	3,645	24.9	3,906	26.3	7.2
Global Forwarding, Freight	3,533	24.1	3,683	24.8	4.2
Supply Chain	3,495	23.9	3,271	22.0	-6.4
Corporate Functions and Consolidation[2)]	-336	n.a.	-340	n.a.	-1.2
Group	14,639	100.0	14,849	100.0	1.4

Divisional EBIT in the third quarter of 2018

in EUR million	Q3 2017	Q3 2018	Change in %
Post - eCommerce - Parcel[2)]	307	-209	<-100
DHL	586	667	13.8
- Express	372	409	9.9
- Global Forwarding, Freight	67	106	58.2
- Supply Chain	148	153	3.4
Corporate Functions and Consolidation[2)]	-60	-83	-38.3
Group	834	376	-54.9

1) After non-controlling interests
2) Prior-year figures adjusted

Group financial highlights in the first nine months of 2018

in EUR million	9M 2017	9M 2018	Change in %
Revenue	44,335	44,624	0.7
- of which international	31,014	31,027	0.0
Profit from operating activities (EBIT)	2,560	2,028	-20.8
Consolidated net profit[1)]	1,876	1,262	-32.7
Basic earnings per share (in EUR)	1.55	1.03	-33.5
Diluted earnings per share (in EUR)	1.51	1.01	-33.1

Divisional revenue in the first nine months of 2018

in EUR million	9M 2017	Share of total revenues in %	9M 2018	Share of total revenues in %	Change in %
Post - eCommerce - Parcel[2)]	13,114	29.6	13,351	29.9	1.8
Express	10,990	24.8	11,724	26.3	6.7
Global Forwarding, Freight	10,691	24.1	10,976	24.6	2.7
Supply Chain	10,533	23.8	9,607	21.5	-8.8
Corporate Functions and Consolidation	-993	n.a.	-1,034	n.a.	-4.1
Group	44,335	100.0	44,624	100.0	0.7

Divisional EBIT in the first nine months of 2018

in EUR million	9M 2017	9M 2018	Change in %
Post - eCommerce - Parcel[2)]	992	290	-70.8
DHL	1,781	2,003	12.5
- Express	1,237	1,387	12.1
- Global Forwarding. Freight	174	281	61.5
- Supply Chain	371	336	-9.4
Corporate Functions and Consolidation[2)]	-214	-266	-24.3
Group	2,560	2,028	-20.8

1) After non-controlling interests
2) Prior-year figures adjusted