

Deutsche Post DHL Group: Q2 EBIT in line with expectations

- **Group revenue improves to more than EUR 15 billion in second quarter; organic increase of 6.2%**
- **Profitability of DHL divisions considerably increased; program initiated to improve performance at Post - eCommerce - Parcel**
- **Operating profit down year on year as expected, at EUR 747 million**
- **Adjusted 2018 targets and 2020 forecast confirmed**
- **CEO Frank Appel: “We are clear about our challenges and are implementing the necessary measures”**

Bonn, August 7, 2018: Deutsche Post DHL Group, the world’s leading mail and logistics company, increased its revenue by 1.4% to more than EUR 15 billion in the second quarter of 2018. On a comparable basis, i.e. after adjusting for currency effects and portfolio changes, revenue rose by 6.2%. This development was primarily driven by significant gains at DHL Express and Global Forwarding, Freight. Operating profit (EBIT) amounted to EUR 747 million, down by 11.2% against the record level of the prior-year period. All of the DHL divisions reported EBIT increases, some significant. However, earnings in the Post - eCommerce - Parcel division fell back as expected, above all due to higher transport and staff costs. As reported at the beginning of June, the Group has initiated a comprehensive program for PeP to raise productivity and improve the division’s cost situation. This led to increased expenses and the recognition of first provisions in the second quarter.

“The second-quarter results were in line with expectations. Our three DHL divisions – Express, Global Forwarding, Freight and Supply Chain – performed well. We are clear about the challenges that face us at Post - eCommerce - Parcel and are implementing the measures for aligning the division toward long-term profitable growth,” said Frank Appel, CEO of Deutsche Post DHL Group. “We are confident to reach our 2020 targets.”

All in all, Deutsche Post DHL Group generated consolidated net profit after non-controlling interests of EUR 516 million in the second quarter of 2018 (2017: EUR 602 million). The decline is mainly attributable to lower EBIT at PeP. Basic earnings per share decreased accordingly to EUR 0.42 (2017: EUR 0.50).

Adjusted earnings forecast for 2018 and guidance for 2020 confirmed

Deutsche Post DHL Group still plans to increase operating profit to more than EUR 5 billion by 2020. The PeP division is expected to contribute around EUR 1.7 billion and the DHL divisions around EUR 3.7 billion to that total. In view of the challenges at PeP, the Group adjusted its forecast for the current financial year in June 2018. The company now expects to generate EBIT of around EUR 3.2 billion for full-year 2018; the PeP division is set to contribute around EUR 0.6 billion to that amount. Earnings in the DHL divisions are expected to be unchanged at around EUR 3.0 billion. The Corporate Functions result, which now also includes the activities of the new board department Corporate Incubations, is expected to come in at EUR -0.42 billion.

Capital expenditure and cash flow: Continued high investment for sustainable growth

Deutsche Post DHL Group again made targeted investments during the second quarter to further strengthen its foundation for long-term profitable growth. The company invested a total of EUR 549 million across all four divisions from April to June (2017: EUR 349 million). Investments focused on initiatives including the announced renewal of the aircraft fleet used by DHL Express, as well as the development of the domestic and international parcel infrastructure and the expansion of production of the StreetScooter electric vehicles. For full-year 2018, the Group projects an increase in capital expenditure to approximately EUR 2.5 billion (2017: EUR 2.3 billion). In addition, the Group will recognize around EUR 200 million in 2018 for the debt-financed intercontinental fleet renewal at Express as announced in May. In June, Deutsche Post DHL Group decided to purchase 14 new Boeing 777 freight aircraft.

Due to the continued high level of investment in growth areas, free cash flow fell to EUR 288 million compared with EUR 385 million in the prior-year quarter. Operating cash flow was up sharply to EUR 1.4 billion in the second quarter of 2018 (2017: EUR 726 million). The increase was mainly due to the transition to the new IFRS 16 accounting standard.

PeP: Strong revenue growth continues, with measures initiated to improve profitability

The Post - eCommerce - Parcel division posted revenues of EUR 4.4 billion in the second quarter of 2018, up 3.4% on the prior-year figure. Organic revenue growth was 4.1%. The division's positive performance was primarily attributable to revenue growth in the eCommerce - Parcel business unit.

Revenue rose by 9.3% at Parcel Germany, 13.3% at Parcel Europe and 7.6% at eCommerce. This trend is another reflection of the Group's strong positioning as a market and innovation leader in the dynamically growing e-commerce market.

In the Post business unit, revenue decreased by 1.2% year on year to EUR 2.3 billion. The decline was mainly due to the ongoing structural volume declines in the mail business.

Operating profit came to EUR 108 million in the PeP division in the second quarter, compared with EUR 260 million in the previous year. Higher transport and staff costs continued above all to drive the decline. To address this trend and safeguard the EBIT growth forecast for the coming years, the Group decided on a series of measures in June. The steps adopted are specifically intended to improve productivity, reduce indirect costs and drive active yield management in the Post and Parcel business. As part of these initiatives, the company has also introduced an early retirement program focusing on civil servants working in overhead areas. The Group has earmarked restructuring costs of EUR 500 million for 2018, primarily for this program. Of that figure, EUR 51 million were accounted for in the second quarter. Deutsche Post DHL Group has moreover already invested EUR 10 million of the announced operating expenses figure of EUR 150 million to improve productivity.

Frank Appel: "The booming e-commerce business remains the primary growth driver for our German and international parcel businesses – here we continue to see tremendous potential for profitable future growth. In the last years, we have worked hard to expand our leading position in the competitive German parcel market. In the next market development phase, we will focus more closely on our prices and costs in both the Post and Parcel businesses in order to translate the volume development into steadily rising earnings."

Express: Success story continues with record margin

In the second quarter, the Express division again continued the very good revenue and earnings performance sustained over several years. Revenue rose by 7.9% on the prior year to EUR 4.0 billion, on an organic basis revenue climbed by even 12.1%. The upward trend was once again driven by solid growth in the international time-definite (TDI) delivery business, where daily volumes rose by 8.4% compared with the prior-year period.

The sustained growth in volumes will enable the division to utilize its unique global express network even more efficiently. The division succeeded in growing operating profit by 10.2% to

EUR 517 million on the back of strict yield management and continuous improvements in the network. The operating margin improved to a record level of 12.8% (2017: 12.5%).

Global Forwarding, Freight: Further significant profitability improvement

The Global Forwarding, Freight division maintained the positive trend of previous quarters during the second quarter of 2018. Divisional revenue was up by 2.5% to EUR 3.7 billion, despite having taken a more selective approach with regard to the profitability of certain contracts. Adjusted for negative currency effects, revenue improved by an even more substantial 6.0%.

At the same time, the division was better able to pass on higher freight market rates to its customers than in the first quarter. The measures introduced to improve cost efficiency are also proving effective. As a result, operating profit at Global Forwarding, Freight rose significantly by 56.7% to EUR 105 million.

Supply Chain: EBIT margin within the corridor targeted for 2020

Revenue in the Supply Chain division came in at EUR 3.2 billion in the second quarter (2017: EUR 3.5 billion). The decline in revenue resulted from negative currency effects, and portfolio effects in particular resulting from the sale of UK subsidiary Williams Lea Tag in the fourth quarter of 2017. After adjusting for those factors, the division's revenue increased by 2.7%. With regards to new business generation, DHL Supply Chain concluded additional contracts in a total volume of EUR 283 million with both new and existing customers during the second quarter.

Operating profit improved by 3.2% to EUR 128 million. At 4.0%, the EBIT margin for the second quarter was within the target corridor. The goal of the 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 half: organic revenue growth of 6.3%

Group revenue for the first half of 2018 remained at the prior-year level, coming in at EUR 29.8 billion (2017: EUR 29.7 billion). Adjusted for currency losses, the sale of Williams Lea Tag and slight portfolio effects, revenue was up by 6.3%. All four divisions contributed to the growth in organic revenue. Operating profit was down 4.3% to EUR 1.7 billion, due above all to higher

costs and operational investments at Post - eCommerce - Parcel. Consolidated net profit after non-controlling interests dropped 9.6% to EUR 1.1 billion in the first six months (2017: EUR 1.2 billion). The financial result was negatively impacted by higher interest for lease liabilities. Basic earnings per share decreased accordingly, falling from EUR 1.02 in the previous year to EUR 0.91.

– Ende –

Note to editors: An interview with CFO Melanie Kreis 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.

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Group financial highlights for the second quarter of 2018

in EUR millions	Q2 2017	Q2 2018	Change in %
Revenue	14,813	15,026	1.4
- of which international	10,484	10,541	0.5
Profit from operating activities (EBIT)	841	747	-11.2
Consolidated net profit ¹⁾	602	516	-14.3
Basic earnings per share (in EUR)	0.50	0.42	-16.0
Diluted earnings per share (in EUR)	0.49	0.41	-16.3

Divisional revenues in the second quarter of 2018

in EUR millions	Q2 2017	Share of total revenues in %	Q2 2018	Share of total revenues in %	Change in %
Post - eCommerce - Parcel	4,267	28.8	4,410	29.3	3.4
Express	3,750	25.3	4,046	26.9	7.9
Global Forwarding, Freight	3,612	24.4	3,702	24.6	2.5
Supply Chain	3,515	23.7	3,212	21.4	-8.6
Corporate Functions/Consolidation	-331	n.a.	-344	n.a.	-3.9
Group	14,813	100.0	15,026	100.0	1.4

Divisional EBIT in the second quarter of 2018

in EUR millions	Q2 2017	Q2 2018	Change in %
Post - eCommerce - Parcel	260	108	-58.5
DHL	661	750	13.5
- Express	469	517	10.2
- Global Forwarding, Freight	67	105	56.7
- Supply Chain	124	128	3.2
Corporate Functions/Consolidation	-79	-111	-40.5
Group	841	747	-11.2

1) After non-controlling interests

Group financial highlights for the first half of 2018

in EUR millions	H1 2017	H1 2018	Change in %
Revenue	29,696	29,775	0.3
- of which international	20,793	20,592	-1.0
Profit from operating activities (EBIT)	1,726	1,652	-4.3
Consolidated net profit ¹⁾	1,235	1,116	-9.6
Basic earnings per share (in EUR)	1.02	0.91	-10.8
Diluted earnings per share (in EUR)	1.00	0.89	-11.0

Divisional revenues in the first half of 2018

in EUR millions	H1 2017	Share of total revenues in %	H1 2018	Share of total revenues in %	Change in %
Post - eCommerce - Parcel	8,812	29.7	9,022	30.3	2.4
Express	7,345	24.7	7,818	26.3	6.4
Global Forwarding, Freight	7,158	24.1	7,293	24.5	1.9
Supply Chain	7,038	23.7	6,336	21.3	-10.0
Corporate Functions/Consolidation	-657	n.a.	-694	n.a.	-5.6
Group	29,696	100.0	29,775	100.0	0.3

Divisional EBIT in the first half of 2018

in EUR millions	H1 2017	H1 2018	Change in %
Post - eCommerce - Parcel	685	499	-27.2
DHL	1,195	1,336	11.8
- Express	865	978	13.1
- Global Forwarding, Freight	107	175	63.6
- Supply Chain	223	183	-17.9
Corporate Functions/Consolidation	-154	-183	-18.8
Group	1,726	1,652	-4.3

1) After non-controlling interests