Interim Report
as at 31 March 2019

1|19

Selected Key Figures

		Q1 2018	Q1 2019	+/–%
Revenue	€m	14,749	15,353	4.1
Profit from operating activities (EBIT)	€m	905	1,159	28.1
Return on sales[1]	%	6.1	7.5	–
EBIT after asset charge (EAC)	€m	313	521	66.5
Consolidated net profit for the period[2]	€m	600	746	24.3
Free cash flow	€m	−679	−256	62.3
Net debt[3]	€m	12,303	12,510	1.7
Earnings per share[4]	€	0.49	0.60	22.4
Number of employees[5]		547,459	540,245	−1.3

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Prior-period amount as at 31 December, for the calculation page 7 of the Interim Group Management Report.
[4] Basic earnings per share.
[5] Headcount at the end of the first quarter, including trainees; prior-period amount as at 31 December.

Cross-references   dpdhl.com/en/investors

Deutsche Post DHL Group

GENERAL INFORMATION

Organisation

On 1 January 2019, Ken Allen assumed responsibility for the newly created eCommerce Solutions division. John Pearson has led the Express division since 1 January 2019.

Tobias Meyer has been head of the Post & Parcel Germany division, previously headed in a dual role by CEO Frank Appel, since 1 April 2019.

Research and development

As a service provider, the Group does not engage in research and development activities in the narrower sense and therefore has no significant expenses to report in this connection.

REPORT ON ECONOMIC POSITION

Economic parameters

The global economy continued to trend downwards at the beginning of 2019. Certain industrial nations were particularly impacted.

The emerging economies in Asia recorded a slight loss of momentum at a high level. In China, the economy remained largely stable and economic output in Japan again showed only a minimal increase.

The upturn in the United States continued, albeit at a slower pace. Gross fixed capital formation increased and private growth continued to be fuelled primarily by consumer spending. The US Federal Reserve retained its key interest rate at 2.25% to 2.50%.

Economic growth in the eurozone was again subdued. Private consumption continued to rise, although no significant momentum developed. Capital expenditure continued to grow at a somewhat slower rate. No notable momentum came from foreign trade. The European Central Bank kept its key interest rate at 0.00% and announced its intention to maintain that level throughout 2019.

Economic growth in the eurozone was again subdued.

The German economy barely rose above stagnation at the start of 2019. Manufacturing activity declined further, due above all to uncertainties surrounding foreign trade. Although exports were up slightly, foreign trade had a negative impact on the economy. At the same time, gross fixed capital formation increased whilst consumer spending grew only moderately. The weak state of the economy was reflected in business sentiment: the ifo German Business Climate index dropped to its lowest level in three years in February, although it subsequently recovered slightly.

Significant events

In February, we completed the sale of our Supply Chain business in China, Hong Kong and Macao in return for a net payment of €653 million.

Results of operations

Selected indicators for results of operations

		Q1 2018	Q1 2019	+/–%
Revenue	€m	14,749	15,353	4.1
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Consolidated net profit for the period[2]	€m	600	746	24.3
Earnings per share[3]	€	0.49	0.60	22.4

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Basic earnings per share.

Portfolio mostly unchanged

Beyond the sale of the Supply Chain business in China, our portfolio did not change in the period under review.

Consolidated revenue also up due to currency effects

In the first quarter of 2019, consolidated revenue rose by €604 million to €15,353 million, for reasons including an increase of €211 million due to positive currency effects. The proportion of revenue generated abroad increased from 68.1% to 69.1%.

Above all, income from the sale of the Supply Chain business in China drove up other operating income considerably, from €406 million to €930 million.

Revenue Q1 2019

€m

15,353

	Q1 2018	Change
	14,749	+4.1%

Consolidated EBIT up 28.1%

In the first quarter of 2019, consolidated EBIT was €1,159 million, 28.1% over the previous year's level (€905 million). Net finance costs grew from €135 million to €164 million, due, amongst other things, to the interest expense on lease liabilities. Profit before income taxes rose by €225 million to €995 million. Income taxes grew by €80 million to €219 million due to, amongst other things, a higher tax rate note 1.

EBIT Q1 2019

€m

1,159

	Q1 2018	Change
	905	+28.1%

Staff costs up sharply

In addition to currency effects, transport costs increased materials expense by €313 million to €7,814 million. At €5,430 million, staff costs were up €466 million over the previous year's figure, due primarily to an increased headcount over the quarter and the collective wage increase in Germany. Depreciation, amortisation and impairment losses also greatly exceeded the previous year's level (€769 million) to reach €883 million, due in part to investments, which markedly increased leased property, plant and equipment. Other operating expenses totalled €1,086 million, down slightly from the previous year (€1,094 million). In the reporting period, this item included restructuring expenses in the Supply Chain and eCommerce Solutions divisions, whilst in the previous year there was a negative effect from customer contracts.

Consolidated net profit up over prior-year figure

At €776 million, consolidated net profit in the reporting period exceeded the prior-year level (€631 million). Of this amount, €746 million was attributable to Deutsche Post AG shareholders and €30 million to non-controlling interest shareholders. Basic earnings per share were up significantly from €0.49 to €0.60 and diluted earnings per share from €0.48 to €0.60.

Changes in revenue, other operating income and operating expenses, Q1 2019

	€m	+/–%	
Revenue	15,353	4.1	• Currency effects increase figure by €211 million
Other operating income	930	>100	• Includes income from the sale of the Supply Chain business in China
Materials expense	7,814	4.2	• Currency effects increase figure by €158 million • Higher transport costs
Staff costs	5,430	9.4	• Rise in headcount • Currency effects increase figure by €68 million • The prior-year figure included a positive one-time effect of €108 million from the revaluation of pension obligations • Collective wage increase in Germany as at 1 October 2018
Depreciation, amortisation and impairment losses	883	14.8	• Investment-related increase in leased property, plant and equipment
Other operating expenses	1,086	–0.7	• Prior-year figure included a negative effect of €49 million from customer contracts • Include restructuring expenses in the Supply Chain and eCommerce Solutions divisions in the reporting period

EBIT after asset charge (EAC) grows significantly

EAC jumped in the first quarter of 2019, from €313 million to €521 million. The imputed asset charge increased over the prior-year quarter, in particular due to investments in property, plant and equipment in the Express division.

EBIT after asset charge (EAC)

€m

	Q1 2018	Q1 2019	+/– %
EBIT	905	1,159	28.1
– Asset charge	–592	–638	–7.8
= **EAC**	**313**	**521**	**66.5**

Financial position

Selected cash flow indicators

€m

	Q1 2018	Q1 2019
Cash and cash equivalents as at 31 March	2,403	2,961
Change in cash and cash equivalents	–704	–130
Net cash from operating activities	368	252
Net cash used in/from investing activities	–535	90
Net cash used in financing activities	–537	–472

Liquidity situation remains solid

The principles and aims of our financial management as presented in the 2018 Annual Report beginning on page 43 remain valid and continue to be pursued as part of our finance strategy.

The FFO to debt performance metric decreased in the first quarter of 2019 compared with 31 December 2018 due to the increase in debt and the decrease of funds from operations. Reported financial liabilities increased, mainly as a result of new borrowing. An increase in pension obligations was responsible for the increase in the adjustment for pensions, despite higher plan assets. Surplus cash and near-cash investments declined, primarily due to the negative free cash flow recognised in the first quarter. This line item contains the net proceeds of €653 million from the sale of the Supply Chain business in China and the annual pension prepayment to *Bundesanstalt für Post und Telekommunikation*. The annual amount for 2019 is €443 million.

FFO to debt

€m

	1 Jan. to 31 Dec. 2018	1 April 2018 to 31 March 2019
Operating cash flow before changes in working capital	6,079	6,027
+ Interest received	52	56
– Interest paid	526	540
+ Adjustment for pensions	309	282
= **Funds from operations, FFO**	**5,914**	**5,825**
Reported financial liabilities[1]	16,462	16,631
– Financial liabilities at fair value through profit or loss[1]	38	24
+ Adjustment for pensions[1]	4,110	4,633
– Surplus cash and near-cash investments[1,2]	2,683	2,441
= **Debt**	**17,851**	**18,799**
FFO to debt (%)	**33.1**	**31.0**

[1] As at 31 December 2018 and 31 March 2019, respectively.
[2] Reported cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

Our credit quality as rated by Fitch Ratings and Moody's Investors Service has not changed from the ratings described and projected in the 2018 Annual Report on page 45. In view of our solid liquidity, the five-year syndicated credit facility with a total volume of €2 billion was not drawn upon during the reporting period. On 31 March 2019, the Group had cash and cash equivalents of €3.0 billion.

Assets acquired above prior-year level

Investments in property, plant and equipment and intangible assets acquired (not including goodwill) amounted to €448 million in the first quarter of 2019 (previous year: €327 million). Please refer to notes 10 and 15 to the consolidated financial statements for a breakdown of capex into asset classes and regions.

In the Post & Parcel Germany division, the largest capex portion was attributable to the expansion of our network in Germany.

Investments in the Express division related to buildings and technical equipment, for example at our Cologne, Stavanger and Leipzig locations. Continuous maintenance and renewal of our aircraft fleet represented an additional focus of investment spending.

Capex and depreciation, amortisation and impairment losses, Q1

	Post & Parcel Germany adjusted[1]		Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions adjusted[1]		Corporate Functions adjusted[1]		Consolidation[1,2]		Group	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Capex (€m) relating to assets acquired	86	85	80	121	20	26	70	75	30	39	39	102	2	0	**327**	**448**
Capex (€m) relating to leased assets	1	26	120	219	37	35	113	151	26	18	171	130	1	1	**469**	**580**
Total (€m)	**87**	**111**	**200**	**340**	**57**	**61**	**183**	**226**	**56**	**57**	**210**	**232**	**3**	**1**	**796**	**1,028**
Depreciation, amortisation and impairment losses (€m)	70	74	267	313	56	63	192	217	35	54	150	161	–1	1	**769**	**883**
Ratio of total capex to depreciation, amortisation and impairment losses	1.24	1.50	0.75	1.09	1.02	0.97	0.95	1.04	1.60	1.06	1.40	1.44	–	–	**1.04**	**1.16**

[1] Adjusted prior-year figures, note 15.
[2] Including rounding.

In the Global Forwarding, Freight division, we invested in warehouses, office buildings and IT.

In the Supply Chain division, the majority of funds were used to support new business, mostly in the EMEA and Americas regions.

In the eCommerce Solutions division, most of the investments were attributable to a new terminal in the Netherlands and investments in India.

At Corporate Functions, investments were made in the IT infrastructure, the renewal and expansion of the vehicle fleet and the production of our StreetScooter electric vehicles.

Lower operating cash flow

Net cash from operating activities decreased by €116 million compared with the prior-year period, to €252 million in the first quarter of 2019. Starting with EBIT, which at €1,159 million was well over the previous year's figure of €905 million, all non-cash income and expense items were adjusted. The payments resulting from the sale of the Supply Chain business in China are shown in net cash from / used in investing activities. The cash outflow from changes in working capital grew from €953 million to €1,017 million, due primarily to an increase in receivables and other current assets.

Investing activities generated a cash inflow of €90 million in contrast to a cash outflow of €535 million in the prior-year period. This was due mainly to the net proceeds from the sale of the Supply Chain business in China amounting to €653 million. The cash outflow to acquire property, plant and equipment and intangible assets was €77 million higher than in the previous year, at €634 million.

Calculation of free cash flow

€m

	Q1 2018	Q1 2019
Net cash from operating activities	**368**	**252**
Sale of property, plant and equipment and intangible assets	22	48
Acquisition of property, plant and equipment and intangible assets	−557	−634
Cash outflow from change in property, plant and equipment and intangible assets	**−535**	**−586**
Disposals of subsidiaries and other business units	0	657
Disposals of investments accounted for using the equity method and other investments	0	0
Acquisition of subsidiaries and other business units	−2	0
Acquisition of investments accounted for using the equity method and other investments	−17	−9
Cash outflow/inflow from acquisitions/divestitures	**−19**	**648**
Proceeds from lease receivables	0	7
Repayment of lease liabilities	−398	−472
Interest on lease liabilities	−89	−101
Cash outflow from leases	**−487**	**−566**
Interest received	12	16
Interest paid	−18	−20
Net interest paid	**−6**	**−4**
Free cash flow	**−679**	**−256**

Free cash flow improved markedly from €–679 million to €–256 million, chiefly because of disposals of subsidiaries and other business units producing a cash inflow of €657 million.

At €472 million, net cash used in financing activities was €65 million lower than in the previous year (€537 million). In the previous year, factors included the acquisition of treasury shares in the amount of €46 million.

Cash and cash equivalents fell from €3,017 million as at 31 December 2018 to €2,961 million.

Net assets

Selected indicators for net assets

		31 Dec. 2018	31 March 2019
Equity ratio	%	27.5	28.2
Net debt	€m	12,303	12,510
Net interest cover[1]		9.5	11.0
Net gearing	%	47.0	46.4

[1] In the first quarter.

Consolidated total assets up

The Group's total assets amounted to €51,238 million as at 31 March 2019, €768 million higher than at 31 December 2018 (€50,470 million).

Intangible assets increased by €143 million to €11,993 million, primarily as a result of exchange rate effects. Additions to property, plant and equipment and positive currency effects exceeded depreciation and disposals, increasing them from €19,202 million to €19,298 million. In contrast, other non-current assets dropped by €118 million to €235 million on account of actuarial losses that reduced pension assets. Trade receivables rose from €8,247 million to €8,593 million. Other current assets were up €618 million to €2,987 million. This figure includes the deferred expense of €311 million at the reporting date that was recognised for the prepaid annual contribution to civil servant pensions to *Bundesanstalt für Post und Telekommunikation* (BAnst PT). Assets held for sale were down €403 million to €23 million after the sale of the Supply Chain business in China. The €56 million decrease in cash and cash equivalents to €2,961 million is described in the section entitled **Financial position, page 5 f.**

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders stood at €14,124 million, above the level as at 31 December 2018 (€13,590 million): consolidated net profit for the period and currency effects increased this figure, whilst actuarial losses from pension obligations decreased it. Non-current financial liabilities rose by €148 million to €14,017 million, mainly because we took out a loan for €150 million. Trade payables decreased from €7,422 million to €6,634 million on the balance sheet date. Other current liabilities increased by €560 million to €4,992 million, due primarily to an increase in liabilities to employees, such as holiday entitlements. We no longer hold any liabilities associated with assets held for sale after the disposal of the Supply Chain business in China.

Net debt totals €12,510 million

Our net debt rose from €12,303 million as at 31 December 2018 to €12,510 million as at 31 March 2019, mainly on account of the increase in financial liabilities. At 28.2%, the equity ratio exceeded the figure as at 31 December 2018 (27.5%). Net interest cover indicates the extent to which net interest obligations are covered by EBIT. This figure increased from 9.5 to 11.0. Net gearing was 46.4% as at 31 March 2019.

Net debt

€m

	31 Dec. 2018	31 March 2019
Non-current financial liabilities	13,838	13,989
+ Current financial liabilities	2,425	2,440
= **Financial liabilities**[1]	**16,263**	**16,429**
– Cash and cash equivalents	3,017	2,961
– Current financial assets	943	958
= **Financial assets**	**3,960**	**3,919**
Net debt	**12,303**	**12,510**

[1] Less operating financial liabilities.

Business performance in the divisions

POST & PARCEL GERMANY DIVISION

Key figures, Post & Parcel Germany

€m

	Q1 2018 adjusted[1]	Q1 2019	+/–%
Revenue	3,807	3,834	0.7
of which Post	2,527	2,436	–3.6
Parcel	1,320	1,445	9.5
Other/Consolidation	–40	–47	–17.5
Profit from operating activities (EBIT)	405	227	–44.0
Return on sales (%)[2]	10.6	5.9	–
Operating cash flow	–84	–149	–77.4

[1] Adjusted prior-year figures, note 15.
[2] EBIT/revenue.

Revenue surpasses prior-year level

In the first quarter of 2019, revenue in the newly structured division was €3,834 million, which is equivalent to an increase of 0.7% above the adjusted prior-year figure of €3,807 million, boosted by growth in the Parcel business unit.

Revenue declines in the Post business unit

In the Post business unit, revenue was €2,436 million in the first quarter of 2019 and thus 3.6% below the prior-year level of €2,527 million. Volumes declined by 2.8%.

As expected, revenue and volumes in the Mail Communication business remained in decline on the whole, due mainly to electronic substitution. Revenue and volumes were also down in the Dialogue Marketing business due to the changed market situation. The measures we have taken to increase sales to e-commerce businesses were not able to fully compensate for the declines. Revenue from the cross-border mail business decreased due to low-weight goods items now being sent in small packages. The general trend towards sending goods items as letters persisted.

Growth in the Parcel business unit

Revenue in our Parcel business unit was €1,445 million in the reporting period, an increase of 9.5% on the prior-year figure of €1,320 million. Volumes rose by 7.7% to 377 million parcels. The volume increase was fuelled by sustained growth in e-commerce. Revenue increased even more than volumes owing to significant price increases.

Post & Parcel Germany: revenue

€m

	Q1 2018 adjusted[1]	Q1 2019	+/–%
Post	2,527	2,436	–3.6
of which Mail Communication	1,666	1,594	–4.3
Dialogue Marketing	554	545	–1.6
Other/Consolidation Post	307	297	–3.3
Parcel	1,320	1,445	9.5

[1] Adjusted prior-year figures, note 15.

Post & Parcel Germany: volumes

Mail items (millions)

	Q1 2018 adjusted[1]	Q1 2019	+/–%
Post	4,623	4,493	–2.8
of which Mail Communication	2,045	1,997	–2.3
Dialogue Marketing	2,162	2,080	–3.8
Parcel	350	377	7.7

[1] Adjusted prior-year figures, note 15.

Decline in EBIT

EBIT in the division was down 44.0% to €227 million in the first quarter of 2019 (previous year: €405 million). The decrease was due mainly to higher costs for material and labour, whilst the decision to raise postage prices will not take effect until 1 July 2019. Personnel expenses increased, due partly to non-recurring income of €108 million from the remeasurement of pension obligations contained in the prior-year figure. Collective wage increases also contributed to the rise in personnel expenses. Return on sales fell to 5.9% (previous year: 10.6%). Operating cash flow was €65 million below the 2018 level, mainly as a result of the decline in EBIT.

EXPRESS DIVISION

Key figures, Express

€m

	Q1 2018	Q1 2019	+/–%
Revenue	3,772	3,971	5.3
of which Europe	1,746	1,809	3.6
Americas	748	818	9.4
Asia Pacific	1,322	1,380	4.4
MEA (Middle East and Africa)	275	294	6.9
Consolidation/Other	–319	–330	–3.4
Profit from operating activities (EBIT)	461	453	–1.7
Return on sales (%)[1]	12.2	11.4	–
Operating cash flow	621	657	5.8

[1] EBIT/revenue.

Moderate growth in international business

Revenue in the division increased by 5.3% to €3,971 million in the first quarter of 2019 (previous year: €3,772 million). This figure includes foreign currency gains of €79 million; excluding these gains, the revenue increase was 3.2%. The revenue figure also reflects the fact that fuel surcharges were higher in all regions compared with the previous year. Excluding currency effects and the higher fuel surcharges, revenue was up by 2.3%.

In the Time Definite International (TDI) product line, revenues per day increased by 3.5% and per-day shipment volumes by 5.0% in the reporting period.

In the Time Definite Domestic (TDD) product line, revenues per day were up by 4.7% in the first quarter of 2019 and per-day shipment volumes by 4.8%.

Express: revenue by product

€m per day[1]

	Q1 2018	Q1 2019	+/–%
Time Definite International (TDI)	46.1	47.7	3.5
Time Definite Domestic (TDD)	4.3	4.5	4.7

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

Express: volumes by product

Thousands of items per day

	Q1 2018	Q1 2019	+/–%
Time Definite International (TDI)	904	949	5.0
Time Definite Domestic (TDD)	478	501	4.8

Stable volume growth in the Europe region

Revenue in the Europe region increased by 3.6% to €1,809 million in the reporting period (previous year: €1,746 million). This included negative currency effects of €10 million, relating mainly to Turkey. Excluding these effects, revenue growth was 4.2%. In the TDI product line, revenues per day increased by 5.0%. Per-day shipment volumes improved by 7.7%.

TDI revenues up slightly in the Americas region

In the Americas region, revenue increased by 9.4% to €818 million in the first quarter of 2019 (previous year: €748 million). The figure for the reporting period included positive currency effects of €35 million, which related mainly to the United States. Excluding these effects, revenue in the region rose by 4.7%. Per-day TDI shipments were at the prior-year level with a rise of just 0.1%. Revenues per day increased by 1.6%.

Operating business in the Asia Pacific region registers weak growth

In the Asia Pacific region, revenue increased by 4.4% to €1,380 million in the first quarter (previous year: €1,322 million). This figure included positive currency effects of €40 million, most of which related to Hong Kong and Japan. Excluding these currency gains, revenue rose by a relatively weak 1.4% in the reporting period. In the TDI product line, revenues per day rose by 2.5% and per-day volumes by 2.0%.

Strong volume growth in the MEA region

Revenue in the MEA (Middle East and Africa) region improved by 6.9% to €294 million in the reporting period (previous year: €275 million). This included positive currency effects of €12 million, most of which related to the United Arab Emirates and Saudi

Arabia. Excluding these effects, revenue growth was 2.5%. TDI revenues per day were up by 6.4%, with per-day volumes up by a strong 16.6%.

EBIT and return on sales down slightly at beginning of year
As expected, division EBIT fell slightly by 1.7% to €453 million in the first quarter of 2019 (previous year: €461 million). The decline was caused by foreign currency losses, mix effects anticipated from portfolio streamlining and weak growth in shipments at the start of the year. The return on sales was 11.4% (previous year: 12.2%). Operating cash flow rose to €657 million in the reporting period (previous year: €621 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures, Global Forwarding, Freight

€m

	Q1 2018	Q1 2019	+/– %
Revenue	3,591	3,762	4.8
of which Global Forwarding	2,534	2,638	4.1
Freight	1,092	1,157	6.0
Consolidation/Other	–35	–33	5.7
Profit from operating activities (EBIT)	70	100	42.9
Return on sales (%)[1]	1.9	2.7	–
Operating cash flow	–30	52	>100

[1] EBIT/revenue.

Currency gains contribute to revenue growth
Division revenue increased by 4.8% to €3,762 million in the first quarter of 2019 (previous year: €3,591 million). Excluding positive currency effects of €31 million, revenue was up by 3.9% year-on-year. In the Global Forwarding business unit, revenue in the reporting period increased by 4.1% to €2,638 million (previous year: €2,534 million). Adjusted for positive currency effects of €41 million, the increase was 2.5%. The business unit increased gross profit from €582 million in the prior year to €604 million, also partly attributable to positive currency effects.

Improved air freight margins and solid project business
We reported a decline in air freight volume of 3.9% in the first quarter of 2019, due mainly to the current decline in market volumes on key trade lanes. Air freight revenues rose by 3.4% in the reporting period as a result of higher freight rates. Gross profit also improved, with an increase of 4.2%.

Ocean freight volumes fell 1.8% below the previous year's level in the first quarter. Ocean freight revenues rose by 6.4%, whilst gross profit declined by 1.3%.

Our industrial project business (reported in the following table as part of Other) improved compared with the prior year. The share of revenue related to industrial project business and reported under Other increased from 29.9% in the prior year to 33.9%. Gross profit for industrial projects improved by 36.3%.

Global Forwarding: revenue

€m

	Q1 2018	Q1 2019	+/– %
Air freight	1,162	1,202	3.4
Ocean freight	834	887	6.4
Other	538	549	2.0
Total	**2,534**	**2,638**	**4.1**

Global Forwarding: volumes

Thousands

		Q1 2018	Q1 2019	+/– %
Air freight	tonnes	923	887	–3.9
of which exports	tonnes	517	495	–4.3
Ocean freight	TEU[1]	766	752	–1.8

[1] Twenty-foot equivalent units.

Revenue growth in European overland transport business
In the Freight business unit, revenue rose by 6.0% to €1,157 million in the first quarter of 2019 (previous year: €1,092 million) despite negative currency effects of €10 million. The 10.3% volume growth was driven mainly by e-commerce-based business in Sweden and less-than-truckload business in Germany. The business unit's gross profit rose by 5.5% to €288 million (previous year: €273 million).

EBIT up significantly in the first quarter
Division EBIT increased significantly in the first quarter of 2019, rising from €70 million to €100 million. The increase was due mainly to improved gross profit margins in air freight and cost measures. Return on sales rose to 2.7% (previous year: 1.9%). Operating cash flow amounted to €52 million (previous year: €–30 million).

SUPPLY CHAIN DIVISION

Key figures, Supply Chain

€m

	Q1 2018	Q1 2019	+/–%
Revenue	3,124	3,267	4.6
of which EMEA (Europe, Middle East and Africa)	1,686	1,689	0.2
Americas	947	1,063	12.2
Asia Pacific	505	521	3.2
Consolidation/Other	–14	–6	57.1
Profit from operating activities (EBIT)	55	486	>100
Return on sales (%)[1]	1.8	14.9	–
Operating cash flow	2	–90	<–100

[1] EBIT/revenue.

Revenue up thanks to dynamic business performance

Revenue in the division increased by 4.6% to €3,267 million in the first quarter of 2019 (previous year: €3,124 million). The increase was driven by dynamic business performance across nearly all regions as well as currency gains of €80 million. However, the sale of our Supply Chain business in China partially negated these positive effects.

In the EMEA region, the main volume increases were seen in the Retail and Engineering & Manufacturing sectors. The Americas and Asia Pacific regions registered growth in nearly all sectors.

Supply Chain: revenue by sector and region, Q1 2019

Total revenue: €3,267 million

of which Retail	28%
Consumer	23%
Auto-mobility	16%
Technology	13%
Life Sciences & Healthcare	10%
Engineering & Manufacturing	6%
Others	4%
of which Europe/Middle East/Africa/Consolidation	51%
Americas	33%
Asia Pacific	16%

New business worth around €180 million secured

In the first quarter of 2019, the division concluded additional contracts worth around €180 million in annualised revenue with both new and existing customers. The Retail, Life Sciences & Healthcare and Auto-mobility (formerly Automotive) sectors accounted for the majority of the new business. The annualised contract renewal rate remained at a consistently high level.

Sale of China business also impacts EBIT

EBIT in the division was €486 million in the first quarter of 2019 (previous year: €55 million). It was influenced positively by the sale of the Chinese business. The increase in EBIT was offset partially by expenses for strategic cost-reduction measures amounting to €58 million, most of which involved restructuring in Europe. The first quarter of the prior year had been impacted negatively by one-off effects of €50 million for customer contracts. Excluding the above effects, EBIT was up 12.4% in the reporting period. The return on sales was 14.9% (previous year: 1.8%). Operating cash flow declined considerably, decreasing from €2 million to €–90 million.

ECOMMERCE SOLUTIONS DIVISION

Key figures, eCommerce Solutions

€m

	Q1 2018	Q1 2019	+/–%
Revenue	917	999	8.9
of which Americas	251	283	12.7
Europe	534	579	8.4
Asia	134	139	3.7
Other/Consolidation	–2	–2	0.0
Loss from operating activities (EBIT)	–14	–28	–100.0
Return on sales (%)[1]	–1.5	–2.8	–
Operating cash flow	30	21	–30.0

[1] EBIT/revenue.

Global approach to customers and solutions

We have combined the Parcel Europe and DHL eCommerce business units, which were previously part of the Post - eCommerce - Parcel division, into a newly created division known as eCommerce Solutions. The new division will enable us to leverage growth opportunities in international e-commerce even more effectively than in the past. We are developing suitable solutions along our customers' value chains and further expanding our local activities. E-commerce will remain the world's fastest-growing sector. In particular, the omnichannel, direct-to-consumer and B2B e-commerce models are increasingly gaining importance given the additional development opportunities they offer.

First-quarter revenue increases

Revenue in the eCommerce Solutions division rose 8.9% in the first quarter of 2019 to €999 million (previous year: €917 million). All regions contributed to the increase.

Revenue in the Americas region rose by 12.7% to €283 million (previous year: €251 million).

In the Europe region, revenue grew by 8.4% to €579 million (previous year: €534 million).

In the Asia region, revenue exceeded the prior-year figure by 3.7% to reach €139 million.

Excluding foreign currency gains of €23 million, the total year-on-year revenue increase came to 6.4%.

Decline in EBIT

EBIT in the division decreased to €–28 million in the first quarter of 2019 (previous year: €–14 million), primarily due to restructuring expenses in a net amount of €23 million. The expenses were incurred for portfolio optimisation, overhead reductions and loss allowances. The return on sales therefore fell to –2.8% (previous year: –1.5%). At €21 million, operating cash flow was below the 2018 level, mainly as a result of lower net working capital liabilities.

EXPECTED DEVELOPMENTS

Future economic parameters

The economic outlook for full-year 2019 as reported in the @ 2018 Annual Report beginning on page 63 continued to deteriorate in the first quarter. The International Monetary Fund (IMF) now expects growth of just 3.3% in global economic output. The forecast for growth in global trade volumes was lowered to 3.4%, even though the IMF does not expect a recession but rather a slight increase in growth in the second half of the year. However, the outlook for the global economy is still at risk of deterioration due to Brexit, trade tensions and potential turmoil on the financial markets.

In China, gross domestic product (GDP) is likely to grow more slowly than in the previous year (IMF: 6.3%). Growth in Japan is expected to be moderate, coming in at approximately the prior-year level (IMF: 1.0%; IHS: 0.6%).

In the United States, the economic upturn is expected to remain intact, although GDP growth is likely to be noticeably weaker than in the previous year (IMF: 2.3%; OECD: 2.6%).

The upward momentum seen in the eurozone is expected to slow significantly, with GDP registering only moderate growth (IMF: 1.3%; ECB: 1.1%).

Economic outlook for 2019 continued to worsen.

Early indicators suggest that the phase of economic weakness will persist for some time in Germany. Not only is momentum therefore expected to decline compared with the prior year but GDP growth is also forecast to be weak in absolute terms (IMF: 0.8%; *Sachverständigenrat*: 0.8%).

Earnings forecast

We are reconfirming the earnings forecast for full-year 2019 as described on @ page 64 f of the 2018 Annual Report.

Expected financial position

We are reconfirming the expected financial position for full-year 2019 as described in the @ 2018 Annual Report on page 65.

Performance of further indicators relevant for internal management

We are reconfirming the projected full-year 2019 figures for the EAC and free cash flow management indicators as described on @ page 65 of the 2018 Annual Report.

OPPORTUNITIES AND RISKS

The Group's overall opportunity and risk situation did not change significantly during the first quarter of 2019 as compared with the situation described in the @ 2018 Annual Report beginning on page 66. No new risks have been identified that could have a potentially critical impact on the Group's results. Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current forecast period which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future.

Any internet sites referred to in the Interim Group Management Report do not form part of the report.

INCOME STATEMENT

1 January to 31 March

€ m

	2018	2019
Revenue	14,749	15,353
Other operating income[1]	406	930
Changes in inventories and work performed and capitalised[1]	77	90
Materials expense	−7,501	−7,814
Staff costs	−4,964	−5,430
Depreciation, amortisation and impairment losses	−769	−883
Other operating expenses	−1,094	−1,086
Net income from investments accounted for using the equity method	1	−1
Profit from operating activities (EBIT)	**905**	**1,159**
Financial income	44	52
Finance costs	−174	−211
Foreign currency losses	−5	−5
Net finance costs	**−135**	**−164**
Profit before income taxes	**770**	**995**
Income taxes	−139	−219
Consolidated net profit for the period	**631**	**776**
attributable to Deutsche Post AG shareholders	600	746
attributable to non-controlling interests	31	30
Basic earnings per share (€)	**0.49**	**0.60**
Diluted earnings per share (€)	**0.48**	**0.60**

[1] For reasons of transparency, changes in inventories and work performed and capitalised were transferred out of other operating income and presented separately.

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 March

€ m

	2018	2019
Consolidated net profit for the period	**631**	**776**
Items that will not be reclassified to profit or loss		
Change due to remeasurements of net pension provisions	–329	–577
Reserve for equity instruments without recycling	2	1
Income taxes relating to components of other comprehensive income	–23	25
Share of other comprehensive income of investments accounted for using the equity method, net of tax	0	0
Total, net of tax	**–350**	**–551**
Items that may be reclassified subsequently to profit or loss		
IAS 39 hedging reserve		
Changes from unrealised gains and losses	2	–9
Changes from realised gains and losses	–11	14
Currency translation reserve		
Changes from unrealised gains and losses	–71	303
Changes from realised gains and losses	0	32
Income taxes relating to components of other comprehensive income	3	–2
Share of other comprehensive income of investments accounted for using the equity method, net of tax	–2	2
Total, net of tax	**–79**	**340**
Other comprehensive income, net of tax	**–429**	**–211**
Total comprehensive income	**202**	**565**
attributable to Deutsche Post AG shareholders	172	524
attributable to non-controlling interests	30	41

BALANCE SHEET

€m

	31 Dec. 2018	31 March 2019
ASSETS		
Intangible assets	11,850	11,993
Property, plant and equipment	19,202	19,298
Investment property	18	23
Investments accounted for using the equity method	119	126
Non-current financial assets	730	765
Other non-current assets	353	235
Deferred tax assets	2,532	2,520
Non-current assets	**34,804**	**34,960**
Inventories	454	524
Current financial assets	943	958
Trade receivables	8,247	8,593
Other current assets	2,369	2,987
Income tax assets	210	232
Cash and cash equivalents	3,017	2,961
Assets held for sale	426	23
Current assets	**15,666**	**16,278**
TOTAL ASSETS	**50,470**	**51,238**
EQUITY AND LIABILITIES		
Issued capital	1,233	1,233
Capital reserves	3,469	3,476
Other reserves	−947	−618
Retained earnings	9,835	10,033
Equity attributable to Deutsche Post AG shareholders	13,590	14,124
Non-controlling interests	283	318
Equity	**13,873**	**14,442**
Provisions for pensions and similar obligations	4,348	4,746
Deferred tax liabilities	54	76
Other non-current provisions	1,655	1,660
Non-current financial liabilities	13,869	14,017
Other non-current liabilities	205	248
Non-current provisions and liabilities	**20,131**	**20,747**
Current provisions	1,073	1,094
Current financial liabilities	2,593	2,614
Trade payables	7,422	6,634
Other current liabilities	4,432	4,992
Income tax liabilities	718	715
Liabilities associated with assets held for sale	228	0
Current provisions and liabilities	**16,466**	**16,049**
TOTAL EQUITY AND LIABILITIES	**50,470**	**51,238**

CASH FLOW STATEMENT

1 January to 31 March

€ m

	2018	2019
Consolidated net profit for the period	631	776
Income taxes	139	219
Net finance costs	135	164
Profit from operating activities (EBIT)	**905**	**1,159**
Depreciation, amortisation and impairment losses	769	883
Net loss/income from disposal of non-current assets	8	–474
Non-cash income and expense	19	–45
Change in provisions	–175	–112
Change in other non-current assets and liabilities	–48	41
Dividend received	0	1
Income taxes paid	–157	–184
Net cash from operating activities before changes in working capital	**1,321**	**1,269**
Changes in working capital		
Inventories	–63	–65
Receivables and other current assets	–756	–829
Liabilities and other items	–134	–123
Net cash from operating activities	**368**	**252**
Subsidiaries and other business units	0	657
Property, plant and equipment and intangible assets	22	48
Other non-current financial assets	13	15
Proceeds from disposal of non-current assets	35	720
Subsidiaries and other business units	–2	0
Property, plant and equipment and intangible assets	–557	–634
Investments accounted for using the equity method and other investments	–17	–9
Other non-current financial assets	0	–1
Cash paid to acquire non-current assets	–576	–644
Interest received	12	16
Current financial assets	–6	–2
Net cash used in/from investing activities	**–535**	**90**
Proceeds from issuance of non-current financial liabilities	16	166
Repayments of non-current financial liabilities	–415	–477
Change in current financial liabilities	–1	–53
Other financing activities	18	16
Dividend paid to non-controlling interest shareholders	–2	–3
Purchase of treasury shares	–46	0
Interest paid	–107	–121
Net cash used in financing activities	**–537**	**–472**
Net change in cash and cash equivalents	**–704**	**–130**
Effect of changes in exchange rates on cash and cash equivalents	–28	41
Changes in cash and cash equivalents associated with assets held for sale	0	33
Changes in cash and cash equivalents due to changes in consolidated group	0	0
Cash and cash equivalents at beginning of reporting period	3,135	3,017
Cash and cash equivalents at end of reporting period	**2,403**	**2,961**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 March

€m

			Other reserves							
	Issued capital	Capital reserves	IAS 39 revalu-ation reserve	IAS 39 hedging reserve	Reserve for equity in-struments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG share-holders	Non-con-trolling interests	Total equity
Balance at 1 January 2018	1,224	3,327	10	19	–	–1,027	9,084	12,637	266	12,903
Adjustments due to new IFRS			–10		11	–1	–50	–50	–2	–52
Balance at 1 January 2018, adjusted	1,224	3,327	–	19	11	–1,028	9,034	12,587	264	12,851
Capital transactions with owner										
Dividend							0	0	–2	–2
Transactions with non-controlling interests			–	0		0	0	0	0	0
Changes in non-controlling interests due to changes in consolidated group								0	0	0
Issue/retirement of treasury shares	0	0					0	0	0	0
Purchase of treasury shares	–1						–45	–46		–46
Convertible bonds	5	102						107		107
Share-based payment schemes (issuance)		52						52		52
Share-based payment schemes (exercise)	0	0					0	0		0
								113	**–2**	**111**
Total comprehensive income										
Consolidated net profit for the period							600	600	31	631
Currency translation differences						–72		–72	–1	–73
Change due to remeasurements of net pension provisions							–352	–352	0	–352
Other changes			–	–6	2		0	–4	0	–4
								172	**30**	**202**
Balance at 31 March 2018	**1,228**	**3,481**	**–**	**13**	**13**	**–1,100**	**9,237**	**12,872**	**292**	**13,164**
Balance at 1 January 2019	1,233	3,469	–	–7	8	–948	9,835	13,590	283	13,873
Capital transactions with owner										
Dividend							0	0	–3	–3
Transactions with non-controlling interests				0	0	0	3	3	–3	0
Changes in non-controlling interests due to changes in consolidated group								0		0
Issue of treasury shares	0	0					0	0	0	0
Purchase of treasury shares	0						0	0		0
Differences between purchase and issue prices of treasury shares (share-based payment schemes)		0						0		0
Convertible bonds	0	0						0		0
Share-based payment schemes (issuance)		7						7		7
Share-based payment schemes (exercise)	0	0					0	0		0
								10	**–6**	**4**
Total comprehensive income										
Consolidated net profit for the period							746	746	30	776
Currency translation differences						325		325	11	336
Change due to remeasurements of net pension provisions							–551	–551	0	–551
Other changes				4	0		0	4	0	4
								524	**41**	**565**
Balance at 31 March 2019	**1,233**	**3,476**	**–**	**–3**	**8**	**–623**	**10,033**	**14,124**	**318**	**14,442**

SELECTED EXPLANATORY NOTES

Basis of preparation

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. The condensed consolidated interim financial statements of Deutsche Post AG and its subsidiaries cover the period from 1 January to 31 March 2019 and have been reviewed.

1 Basis of accounting

The condensed consolidated interim financial statements as at 31 March 2019 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board (IASB) for interim financial reporting, as adopted by the European Union. These interim financial statements thus include all information and disclosures required by IFRSs to be presented in condensed interim financial statements.

Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires the Board of Management to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the Group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in financial year 2019 are not necessarily an indication of how business will develop in the future.

The accounting policies applied to the condensed consolidated interim financial statements are generally based upon the same accounting policies used in the consolidated financial statements for financial year 2018. Exceptions are the new or revised International Financial Reporting Standards (IFRSs) required to be applied for the first time in financial year 2019 that however have not had a material influence on the consolidated interim financial statements. Detailed explanations of these can be found in the 2018 Annual Report in note 5 to the consolidated financial statements.

The income tax expense for the reporting period was deferred on the basis of the tax rate expected to apply to the full financial year. The tax rate for 2019 will increase primarily because a small additional recognition of deferred taxes on tax loss carryforwards is expected due to the use of tax losses compared with the previous year.

2 Consolidated group

The companies listed in the following table are consolidated in addition to the parent company Deutsche Post AG:

Consolidated group

	31 Dec. 2018	31 March 2019
Number of fully consolidated companies (subsidiaries)		
German	127	127
Foreign	616	607
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	1	1
Foreign	18	14

In addition to the disposal of companies resulting from the deconsolidation of the Supply Chain business in China, Hong Kong and Macao, see note 2.3, an additional 4.9% interest in Relais Colis SAS, France, which is accounted for using the equity method, was acquired in the first quarter of 2019.

2.1 Acquisitions in 2019

There were no acquisitions in the first quarter of 2019.

2.2 Contingent consideration

Variable purchase prices were agreed for certain companies acquired in previous years:

Contingent consideration

Company	Basis	Period for financial years from/to	Results range from/to	Fair value of total obligation at the acquisition date	Remaining payment obligation at 31 December 2018	Remaining payment obligation at 31 March 2019
Mitsafetrans S.r.l.	EBITDA	2016 to 2018	€0 to 19 million	€15 million	€5 million	€5 million
Suppla Group	EBITDA	2018 to 2019	€0 to 10 million[1]	€12 million	€10 million	€10 million

[1] Adjusted in 2018 due to reassessments.

2.3 Disposal and deconsolidation effects in 2019

Gains are shown in other operating income; losses are reported in other operating expenses.

Supply Chain

In mid-February 2019, Deutsche Post DHL Group sold its Supply Chain business in China, Hong Kong and Macao to S.F. Holding, China. The table below shows the effects of the disposal of twelve consolidated companies and three companies accounted for using the equity method.

Disposal and deconsolidation effects

€m

1 January to 31 March 2019	Supply chain business in China
Non-current assets	212
of which goodwill	91
Current assets	194
Cash and cash equivalents	33
ASSETS	**439**
Non-current provisions and liabilities	45
Current provisions and liabilities	179
EQUITY AND LIABILITIES	**224**
Net assets	**215**
Cash consideration received	686
Losses from the currency translation reserve	−32
Deconsolidation gain	**439**

In addition, Deutsche Post DHL Group will receive an annual amount linked to revenue over the next ten years in a strategic partnership.

3 Significant transactions

In addition to the sale of the Supply Chain business in China, note 2, the following significant transactions occured:

During the first quarter of 2019, restructuring expenses of €58 million in the Supply Chain division and €23 million in the eCommerce Solutions division were made for measures intended to improve earnings.

Income statement disclosures

4 Revenue by business unit

€m

	Q1 2018	Q1 2019
Post & Parcel Germany[1]	**3,721**	**3,741**
Post	2,435	2,338
Parcel	1,267	1,384
Other	19	19
Express	**3,676**	**3,876**
Global Forwarding, Freight	**3,387**	**3,523**
Global Forwarding	2,483	2,586
Freight	904	937
Supply Chain	**3,076**	**3,244**
eCommerce Solutions[1]	**857**	**936**
Corporate Functions[1]	**32**	**33**
Total revenue	**14,749**	**15,353**

[1] Prior-period amounts adjusted due to new segment structure, note 15.

5 Other operating income

€m

	Q1 2018	Q1 2019
Income from the disposal of assets	7	487
Income from the remeasurement of liabilities	16	70
Insurance income	54	59
Reversals of impairment losses on receivables and other assets	28	49
Income from currency translation	57	43
Income from fees and reimbursements	30	27
Income from the reversal of provisions	35	24
Commission income	19	17
Income from prior-period billings	16	13
Sublease income	7	12
Operating lease income	12	11
Income from derivatives	21	8
Income from loss compensation	8	6
Income from the derecognition of liabilities	3	5
Recoveries on receivables previously written off	4	4
Subsidies	4	4
Miscellaneous	85	91
Total	**406**	**930**

Since the fourth quarter of 2018, changes in inventories and work performed and capitalised have been presented in a separate item in the income statement, note 6. The prior-period amounts were adjusted accordingly.

Income from the disposal of assets increased, in particular, due to the sale of the Supply Chain business in China, note 2.

Miscellaneous other operating income includes a large number of smaller individual items.

6 Changes in inventories and work performed and capitalised

€m

	Q1 2018	Q1 2019
Income (+) / expense (–) from changes in inventories	30	–2
Work performed and capitalised	47	92
Total	**77**	**90**

Changes in inventories and work performed and capitalised were transferred out of other operating income, where they had previously been recognised, and have been presented as a separate income statement item since the fourth quarter of 2018, note 5. The prior-period amounts were adjusted accordingly.

Changes in inventories as well as work performed and capitalised are largely attributable to the production of electric vehicles by StreetScooter GmbH.

7 Depreciation, amortisation and impairment losses

€m

	Q1 2018	Q1 2019
Amortisation of and impairment losses on intangible assets, of which impairment loss: €2 million (previous year: €0 million)	48	54
Depreciation of and impairment losses on property, plant and equipment acquired, of which impairment loss: €3 million (previous year: €0 million)	283	327
Depreciation of and impairment losses on right-of-use assets, of which impairment loss: €0 million (previous year: €1 million)	438	501
Depreciation of and impairment losses on investment property	0	0
Impairment of goodwill	0	1
Depreciation, amortisation and impairment losses	**769**	**883**

The impairment losses are attributable mainly to eCommerce Solutions. This includes the goodwill impairment, which relates to the most recent measurement prior to reclassification of the assets of DHL Paket (Austria) GmbH as held for sale, see note 12.

8 Other operating expenses

€m

	Q1 2018	Q1 2019
Cost of purchased cleaning and security services	99	108
Warranty expenses, refunds and compensation payments	83	91
Travel and training costs	79	80
Other business taxes	63	74
Write-downs of current assets	60	70
Expenses for advertising and public relations	72	63
Telecommunication costs	51	55
Office supplies	42	47
Insurance costs	78	46
Currency translation expenses	59	42
Services provided by *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	37	39
Entertainment and corporate hospitality expenses	39	37
Customs clearance-related charges	31	35
Contributions and fees	26	30
Voluntary social benefits	22	30
Consulting costs (including tax advice)	28	27
Monetary transaction costs	16	17
Losses on disposal of assets	15	15
Commissions paid	14	14
Legal costs	12	9
Audit costs	7	7
Donations	8	4
Miscellaneous	153	146
Total	**1,094**	**1,086**

For reasons of transparency, the disclosure of personal insurance expenses was standardised as staff costs in the reporting period. Insurance expenses declined accordingly.

Miscellaneous other operating expenses include part of the restructuring expenses for Supply Chain and eCommerce Solutions.

9 Earnings per share

Basic earnings per share in the reporting period were €0.60 (previous year: €0.49).

Basic earnings per share

		Q1 2018	Q1 2019
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	600	746
Weighted average number of shares outstanding	number	1,225,895,902	1,232,879,764
Basic earnings per share	**€**	**0.49**	**0.60**

Diluted earnings per share in the reporting period were €0.60 (previous year: €0.48).

Diluted earnings per share

		Q1 2018	Q1 2019
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	600	746
Plus interest expense on the convertible bond	€m	2	2
Less income taxes[1]	€m	0	0
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	602	748
Weighted average number of shares outstanding	number	1,225,895,902	1,232,879,764
Potentially dilutive shares	number	40,910,970	21,206,525
Weighted average number of shares for diluted earnings	number	1,266,806,872	1,254,086,289
Diluted earnings per share	**€**	**0.48**	**0.60**

[1] Rounded below €1 million.

Balance sheet disclosures

10 Intangible assets and property, plant and equipment

Investments in intangible assets (not including goodwill), property, plant and equipment acquired and right-of-use assets amounted to €1,028 million in the first quarter of 2019 (previous year: €796 million).

Investments

€m

	31 March 2018	31 March 2019
Intangible assets (not including goodwill)	**41**	**44**
Property, plant and equipment acquired		
Land and buildings	18	24
Technical equipment and machinery	24	24
Transport equipment	19	15
Aircraft	8	17
IT equipment	16	15
Operating and office equipment	14	14
Advance payments and assets under development	187	295
	286	**404**
Right-of-use assets		
Land and buildings	381	470
Technical equipment and machinery	9	11
Transport equipment	24	47
Aircraft	55	50
Advance payments	0	2
	469	**580**
Total	**796**	**1,028**

Goodwill changed as follows:

Change in goodwill

€m

	2018	2019
Cost		
Balance at 1 January	12,239	12,236
Additions from business combinations	45	0
Disposals	–127	1
Currency translation differences	79	168
Balance at 31 December / 31 March	**12,236**	**12,405**
Depreciation, amortisation and impairment losses		
Balance at 1 January	1,070	1,037
Disposals	–32	1
Impairment losses	0	1
Currency translation differences	–1	18
Balance at 31 December / 31 March	**1,037**	**1,057**
Carrying amount at 31 December / 31 March	**11,199**	**11,348**

The disposal in the first quarter of 2019 includes the sale of the chemical goods transport business (asset deal) of DHL Supply Chain Limited, UK. The impairment loss relates to the strategic partnership with Austrian Post, see note 12.

11 Financial assets

€m	Non-current		Current		Total	
	31 Dec. 2018	31 March 2019	31 Dec. 2018	31 March 2019	31 Dec. 2018	31 March 2019
Assets measured at cost	499	493	100	108	**599**	**601**
Assets at fair value through other comprehensive income	43	63	0	0	**43**	**63**
Assets at fair value through profit or loss	188	209	843	850	**1,031**	**1,059**
Financial assets	**730**	**765**	**943**	**958**	**1,673**	**1,723**

Net impairment losses amounted to €–11 million in the first quarter of 2019 (previous year: €–24 million).

12 Assets held for sale and liabilities associated with assets held for sale

The amounts reported in this note relate to the following items:

€m	Assets		Liabilities	
	31 Dec. 2018	31 March 2019	31 Dec. 2018	31 March 2019
DHL Paket (Austria) GmbH, Austria – asset deal (eCommerce Solutions segment)	0	11	**0**	**0**
DHL Freight GmbH, Germany – property sale (Global Forwarding, Freight segment)	9	9	**0**	**0**
Exel Logistics Property Limited, UK – property sale (Supply Chain segment)	3	3	**0**	**0**
Sale of the Supply Chain business in China, Hong Kong and Macao (Supply Chain segment)	414	0	**228**	**0**
Other	0	0	**0**	**0**
Assets held for sale and liabilities associated with assets held for sale	**426**	**23**	**228**	**0**

The sale of the Supply Chain business in China to S.F. Holding, China, was completed in February 2019, see note 2.

Following the agreement of a long-term partnership between Deutsche Post DHL Group and Austrian Post, some of the assets of DHL Paket (Austria) GmbH that will be sold to Austrian Post after the transaction is completed were reclassified to assets held for sale and liabilities associated with assets held for sale. These include mainly property, plant and equipment (sorting machines). The most recent measurement prior to reclassification led to an impairment loss of €2 million.

13 Issued capital and purchase of treasury shares

KfW Bankengruppe (KfW) held a 20.5% interest in the share capital of Deutsche Post AG as at 31 March 2019. The remaining shares are in free float.

Changes in issued capital and treasury shares

€

	2018	2019
Issued capital		
Balance at 1 January	1,228,707,545	1,236,506,759
Addition due to contingent capital increase (convertible bond)	5,379,106	0
Addition due to contingent capital increase (Performance Share Plan)	2,420,108	0
Balance at 31 December/31 March	**1,236,506,759**	**1,236,506,759**
Treasury shares		
Balance at 1 January	−4,513,582	−3,628,651
Purchase of treasury shares	−1,284,619	0
Issue/sale of treasury shares	2,169,550	4,967
Balance at 31 December/31 March	**−3,628,651**	**−3,623,684**
Total at 31 December/31 March	**1,232,878,108**	**1,232,883,075**

The issued capital is composed of 1,236,506,759 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share, and is fully paid up.

As at 31 March 2019, Deutsche Post AG held 3,623,684 treasury shares.

14 Capital reserves

€m

	2018	2019
Balance at 1 January	3,327	3,469
Share Matching Scheme		
Addition	73	1
Exercise	−64	0
Total for Share Matching Scheme	**9**	**1**
Performance Share Plan		
Addition	26	6
Exercise	−28	0
Total for Performance Share Plan	**−2**	**6**
Retirement/issue of treasury shares	26	0
Differences between purchase and issue prices of treasury shares	7	0
Capital increase through exercise of conversion rights under convertible bond 2012/2019	102	0
Balance at 31 December/31 March	**3,469**	**3,476**

Segment reporting

15 Segment reporting

Segments by division

€m

1 January to 31 March	Post & Parcel Germany[1]		Express		Global Forwarding, Freight		Supply Chain		eCommerce Solutions[1]		Corporate Functions[1]		Consolidation[1,2]		Group	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
External revenue	3,721	3,741	3,676	3,876	3,387	3,523	3,076	3,244	857	936	32	33	0	0	**14,749**	**15,353**
Internal revenue	86	93	96	95	204	239	48	23	60	63	318	307	−812	−820	**0**	**0**
Total revenue	3,807	3,834	3,772	3,971	3,591	3,762	3,124	3,267	917	999	350	340	−812	−820	**14,749**	**15,353**
Profit/loss from operating activities (EBIT)	405	227	461	453	70	100	55	486	−14	−28	−71	−79	−1	0	**905**	**1,159**
of which net income/loss from investments accounted for using the equity method	1	0	1	1	0	0	0	0	−1	−1	0	−1	0	0	**1**	**−1**
Segment assets[3]	5,577	6,161	13,766	13,890	8,728	8,889	8,248	8,109	1,750	1,710	4,935	5,144	−96	−92	**42,908**	**43,811**
of which investments accounted for using the equity method	0	0	33	33	24	24	12	12	30	36	21	21	−1	0	**119**	**126**
Segment liabilities[3]	2,311	2,744	3,635	3,468	3,105	3,043	3,229	2,948	589	583	1,520	1,541	−75	−62	**14,314**	**14,265**
Net segment assets/liabilities[3]	3,266	3,417	10,131	10,422	5,623	5,846	5,019	5,161	1,161	1,127	3,415	3,603	−21	−30	**28,594**	**29,546**
Capex (assets acquired)	86	85	80	121	20	26	70	75	30	39	39	102	2	0	**327**	**448**
Capex (right-of-use assets)[3]	1	26	120	219	37	35	113	151	26	18	171	130	1	1	**469**	**580**
Total capex	87	111	200	340	57	61	183	226	56	57	210	232	3	1	**796**	**1,028**
Depreciation and amortisation	70	74	267	313	56	63	191	216	35	49	150	161	−1	1	**768**	**877**
Impairment losses	0	0	0	0	0	0	1	1	0	5	0	0	0	0	**1**	**6**
Total depreciation, amortisation and impairment losses	70	74	267	313	56	63	192	217	35	54	150	161	−1	1	**769**	**883**
Other non-cash income (–) and expenses (+)	−78	52	87	51	28	16	46	88	3	16	36	6	−1	0	**121**	**229**
Employees[4]	159,032	158,797	93,550	96,184	43,347	43,956	151,877	155,405	29,493	31,415	12,272	12,655	0	0	**489,571**	**498,412**

[1] Prior-period amounts adjusted.
[2] Including rounding.
[3] As at 31 December 2018 and 31 March 2019.
[4] Average FTEs.

Adjustment of prior-period amounts

The following changes concerning segments were effective as of 1 January 2019: The Post - eCommerce - Parcel division was separated into a German and an international division, each led by a separate member of the Board of Management. The German business was renamed Post & Parcel Germany and has been under the leadership of Dr Tobias Meyer since 1 April 2019. Ken Allen now heads the new eCommerce Solutions division. In the second quarter of 2018, StreetScooter GmbH was spun off from the former Post - eCommerce - Parcel division and assigned to Corporate Functions. The prior-period amounts were adjusted accordingly.

Information about geographical regions

€m

	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 January to 31 March	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
External revenue	4,698	4,746	4,498	4,627	2,490	2,764	2,481	2,599	582	617	**14,749**	**15,353**
Non-current assets[1]	9,229	9,365	10,065	10,133	6,740	6,797	4,563	4,577	524	542	**31,121**	**31,414**
Capex	310	434	251	275	148	159	71	119	16	41	**796**	**1,028**

[1] As at 31 December 2018 and 31 March 2019.

Reconciliation

€m

	Q1 2018	Q1 2019
Total income of reported segments	977	1,238
Corporate Functions	−71	−79
Reconciliation to Group/Consolidation	−1	0
Profit/loss from operating activities (EBIT)	**905**	**1,159**
Net finance costs	−135	−164
Profit before income taxes	**770**	**995**
Income taxes	−139	−219
Consolidated net profit for the period	**631**	**776**

16 Disclosures on financial instruments

The following table shows the fair values of financial instruments with each class of financial instrument presented by the level in the fair value hierarchy to which it is assigned:

Financial assets and liabilities

€m

Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
31 March 2019				
Non-current financial assets	232	416	20	**668**
Current financial assets	800	50	0	**850**
Financial assets	**1,032**	**466**	**20**	**1,518**
Non-current financial liabilities	5,822	802	0	**6,624**
Current financial liabilities	9	8	15	**32**
Financial liabilities	**5,831**	**810**	**15**	**6,656**
31 December 2018				
Non-current financial assets	231	398	0	**629**
Current financial assets	800	43	0	**843**
Financial assets	**1,031**	**441**	**0**	**1,472**
Non-current financial liabilities	5,687	652	0	**6,339**
Current financial liabilities	9	21	15	**45**
Financial liabilities	**5,696**	**673**	**15**	**6,384**

[1] Quoted prices for identical instruments in active markets.
[2] Inputs other than quoted prices that are directly or indirectly observable for instruments.
[3] Inputs not based upon observable market data.

Level 1 comprises mainly equity and debt instruments measured at fair value and debt instruments measured at amortised cost.

In addition to financial assets and financial liabilities measured at amortised cost, commodity, interest rate and currency derivatives are reported under Level 2. The fair values of financial assets measured at amortised cost are determined, amongst other things, using the multiplier method. The fair values of the derivatives are measured on the basis of discounted expected future cash flows, taking into account forward rates for currencies, interest rates and commodities (market approach). For this purpose, price quotations observable in the market (exchange rates, interest rates and commodity prices) are imported from standard market information platforms into the treasury management system. The price quotations reflect actual transactions involving similar instruments on an active market. If currency options are used, they are measured using the Black-Scholes option pricing model. All significant inputs used to measure derivatives are observable on the market.

Level 3 comprises mainly the fair values of equity investments and derivatives associated with M&A transactions. They are measured using recognised valuation models, taking plausible assumptions into account. The fair values of derivatives as well as of assets and liabilities depend, to a large extent, upon financial ratios. Increasing financial ratios lead to higher fair values, whilst decreasing financial ratios result in lower fair values.

The financial instruments categorised within Level 3 did not have any effects on profit or loss as at 31 March 2019.

17 Contingent liabilities and other financial obligations

The Group's contingent liabilities and other financial obligations, such as purchase obligations, have not changed significantly compared with 31 December 2018.

18 Related party disclosures

Dr Tobias Meyer was appointed to manage the Post & Parcel Germany division as at 1 April 2019. It was formerly managed by CEO Dr Frank Appel in a dual role. Furthermore there were no significant changes in related party disclosures in the first quarter of 2019 as against 31 December 2018.

19 Events after the reporting date / other disclosures

On 18 April 2019, the German Federal Network Agency *(Bundesnetzagentur)* published for comment the draft decision regarding the bundling of services as well as the proposed pricing metrics for the price-cap regulation for letter mail items of up to 1,000g from 1 January 2019. According to the draft decision, Deutsche Post AG is expected to have a pricing scope of 10.63% from 1 July 2019 on the basket of products that are subject to the price-cap procedure. This decision is expected to be valid until 31 December 2021. The final decision of the Federal Network Agency is expected by the end of May 2019. After the final decision, Deutsche Post AG will be permitted to apply to the Federal Network Agency for the specific stamp price increases which will be valid from 1 July 2019 onwards for the letter products subject to the price-cap regulation. The price-cap regulation essentially applies to postage rates for letters and special services for letter mail sent within Germany and abroad, unless the contracts stipulate consignments of at least fifty letters per operation.

Beyond that, there were no reportable events after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, 8 May 2019

Deutsche Post AG
The Board of Management

Dr Frank Appel	Ken Allen
John Gilbert	Melanie Kreis
Dr Tobias Meyer	Dr Thomas Ogilvie
John Pearson	Tim Scharwath

REVIEW REPORT

To Deutsche Post AG

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Deutsche Post AG, Bonn, for the period from 1 January to 31 March 2019, which are part of the quarterly financial report pursuant to section 115 of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW – Institute of Public Auditors in Germany) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, 8 May 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm	Verena Heineke
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The English version of the Interim Report as at 31 March 2019 of Deutsche Post DHL Group constitutes a translation of the original German version. Only the German version is legally binding, insofar as this does not conflict with legal provisions in other countries. Deutsche Post Corporate Language Services et al.

FINANCIAL CALENDAR 2019/2020

6 August 2019
Interim Report as at 30 June 2019

12 November 2019
Interim Report as at 30 September 2019

10 March 2020
2019 Annual Report

12 May 2020
Interim Report as at 31 March 2020

13 May 2020
2020 Annual General Meeting

18 May 2020
Dividend payment

5 August 2020
Interim Report as at 30 June 2020

10 November 2020
Interim Report as at 30 September 2020

Further dates, updates as well as information on live webcasts: @ **dpdhl.com/en/investors**

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