

Deutsche Post DHL Group raises lower end of the full-year 2019 forecast

- Second quarter develops according to plan: Group revenue increases by 3.0% to EUR 15.5 billion in the second quarter; Operating profit (EBIT) up 2.9% to EUR 769 million
- Earnings forecast for 2019 specified: EBIT to rise to between EUR 4.0 and EUR 4.3 billion; forecast for 2020 confirmed
- CEO Frank Appel: “We expect earnings to further improve in the second half of the year – despite the challenging macroeconomic environment”

Bonn, August 6, 2019: Deutsche Post DHL Group, the world’s leading mail and logistics company, continued its profitable growth course in the second quarter of 2019. In the period from April to June, the Group increased revenue by 3.0% year-on-year to EUR 15.5 billion. All five divisions contributed to this positive development, as did growth in all regions of the world. The Group’s operating profit (EBIT) improved by 2.9% to EUR 769 million compared to the prior-year period. Earnings of the Post & Parcel Germany division (P&P) turned positive again for the first time since the fourth quarter 2017. However, EBIT growth of the Group was held back by restructuring expenses in the Supply Chain and eCommerce Solutions divisions.

“Overall, Deutsche Post DHL Group is in good shape. Our business developed as planned in the second quarter,” says Frank Appel, CEO of Deutsche Post DHL Group. “We have already generated Group EBIT of about EUR 1.9 billion after six months. That’s nearly half of our minimum target for 2019. The measures we initiated to improve productivity at P&P and the postage rate increase as of July 1 will provide further momentum in the second half of the year, as will the traditionally strong final quarter. We are therefore confident about our further performance and have raised the lower end of our full-year forecast – despite the challenging macroeconomic environment.”

For the current financial year, Deutsche Post DHL Group now expects to increase operating profit to between EUR 4.0 and EUR 4.3 billion (previously EUR 3.9 to EUR 4.3 billion). The P&P division is forecast to contribute between EUR 1.1 and EUR 1.3 billion of this amount (previously EUR 1.0 to EUR 1.3 billion). Earnings in the DHL divisions are still expected to be at EUR 3.4 to EUR 3.5 billion. Deutsche Post DHL Group has confirmed the forecast for 2020. Group EBIT is projected to increase to more than EUR 5.0 billion next year, with P&P expected to contribute more than EUR 1.6 billion and the DHL divisions more than EUR 3.7 billion to this total.

Despite the improvement in operating profit in the second quarter, consolidated net profit declined. In the period from April to June, net profit after non-controlling interests was EUR 458 million (2018: EUR 516 million). The decline was attributable to an exceptionally low tax rate of 8.8% in the previous year (2019: 22.0%). Basic earnings per share decreased accordingly to EUR 0.38 (2018: EUR 0.42).

Capital expenditure and cash flow: first two Boeing 777 freight aircraft commissioned for Express

Deutsche Post DHL Group again made targeted investments in its core business during the second quarter to further strengthen its foundation for long-term profitable growth. The company invested a total of EUR 1.3 billion across all divisions from April to June (2018: EUR 549 million). This strong increase compared with the prior-year period resulted particularly from the previously announced intercontinental fleet renewal at DHL Express, on which the company spent EUR 743 million in the second quarter alone. So far Deutsche Post DHL Group has commissioned the first two of 14 new Boeing 777 freight aircraft. Two further aircraft are scheduled to follow this year.

The Group still plans to increase capital expenditure to approximately EUR 3.7 billion for full-year 2019, up from EUR 2.6 billion in 2018. This includes approximately EUR 1.1 billion for the renewal of the intercontinental Express fleet.

Due to the significantly increased capital expenditure, free cash flow fell to EUR -547 million in the second quarter (2018: EUR 288 million).

P&P: continued dynamic development in German parcel business

The Post & Parcel Germany division posted revenue of EUR 3.6 billion in the second quarter of 2019, up by 1.5% against the prior-year period. The German parcel business in particular continued its momentum. The initiated pricing measures are showing effect, with an increase in average revenue per parcel. As volumes also continued to rise strongly, revenue of Parcel Germany rose by 10.5% to EUR 1.4 billion in the second quarter.

By contrast, Mail Communication and Dialogue Marketing revenues remained in decline for structural reasons. This led to a corresponding 3.2% drop in Post revenue to EUR 2.3 billion, which was in line with the long-term trend.

Operating profit in the P&P division came to EUR 177 million in the second quarter (2018: EUR 108 million). Earnings in the prior-year period were diminished by non-recurring restructuring

expenses. Excluding this effect, year-on-year earnings of the division increased by EUR 18 million, reflecting the positive effects of the measures introduced to improve productivity and reduce indirect costs as well as the positive effects of the pricing measures in Parcel. As announced, Deutsche Post DHL Group will this year again invest EUR 150 million to further increase quality and productivity in this division.

Express: continued revenue and earnings growth

The Express division developed positively once again in the second quarter. Despite the decision to forgo especially heavy deliveries in the future, the division improved revenue to EUR 4.2 billion (2018: EUR 4.0 billion). Volumes per day in the core business of international time-definite (TDI) deliveries rose by 6.6% compared with the prior-year period. All regions contributed to this development.

The continued expansion of volumes, coupled with strict yield management, led to an increase in the division's operating profit to EUR 521 million in the second quarter (2018: EUR 517 million). The operating margin again reached an excellent value of 12.3%.

Global Forwarding, Freight: further profitability improvement

The Global Forwarding, Freight division posted a 2.5% increase in revenue year-on-year to EUR 3.8 billion in the second quarter. Growth in the global air freight market lost momentum in the period from April to June, while ocean freight remained largely stable and overland freight transport continued to see organic growth.

Thanks to higher gross profit margins in air freight and ongoing measures to improve cost efficiencies, the division significantly increased operating profit once again in the second quarter. EBIT improved by 18.1% to EUR 124 million.

Supply Chain: operating margin again in corridor of 4 to 5 percent targeted for 2020

Despite the divestment of the Chinese business to S.F. Holding, revenue of the Supply Chain division advanced by 1.2% in the second quarter to EUR 3.3 billion. After adjusting for portfolio and currency effects, revenue grew by 3.4%. Supply Chain continued to generate new business, concluding additional contracts in a total volume of EUR 435 million with both new and existing customers during the first half of 2019.

As previously announced, the division is reinvesting a portion of the funds generated from the S.F. transaction in the restructuring of the Supply Chain business, among others, in the United Kingdom. This negatively impacted second-quarter operating profit by EUR 53 million as expected. As a result, EBIT amounted to EUR 87 million (2018: EUR 128 million). After adjustment for non-recurring effects, EBIT of Supply Chain climbed by 9.4%; the adjusted operating margin was 4.3%, and thus within the corridor of 4.0% to 5.0% targeted for 2020.

eCommerce Solutions: realignment of the international parcel activities

The newest division, DHL eCommerce Solutions, achieved the fastest growth in the Group again in the second quarter of 2019. Following its separation from the German Post and Parcel business at the beginning of the year, this business improved revenue by 6.2% to EUR 995 million compared with the prior-year figure. eCommerce Solutions achieved especially significant gains in the United States, the Netherlands, Poland and India.

Operating profit of the division in the second quarter was lower than the prior-year figure, at EUR -18 million (2018: EUR 0 million). This was due to non-recurring restructuring expenses of EUR 28 million. Adjusting for this effect, the division recorded positive growth.

First six months: solid revenue and earnings improvement

Revenues of Deutsche Post DHL Group rose by 3.6% to EUR 30.8 billion in the first six months of 2019. Operating profit improved by 16.7% to EUR 1.9 billion. The DHL divisions in particular once again made encouraging earnings contributions, although the considerable jump in earnings was driven by a positive non-recurring effect from the Supply Chain partnership with S.F. Holding in China in the first quarter. Consolidated net profit after non-controlling interests improved by 7.9% in the first six months to EUR 1.2 billion. Basic earnings per share increased to EUR 0.98 in the first six months in line with the increase in net profit (2018: EUR 0.91).

– End –

Note to editors: An interview with CFO Melanie Kreis is available at www.dpdhl.com. The Investor Webcast will be streamed from 10.a.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 550,000 people in over 220 countries and territories worldwide. The Group generated revenues of more than 61 billion Euros in 2018.

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Group financial highlights for the second quarter of 2019

in EUR millions	Q2 2018	Q2 2019	Change in %
Revenue	15,026	15,480	3.0
- of which international	10,541	10,946	3.8
Profit from operating activities (EBIT)	747	769	2.9
Consolidated net profit ¹⁾	516	458	-11.2
Basic earnings per share (in EUR)	0.42	0.38	-9.5
Diluted earnings per share (in EUR)	0.41	0.36	-12.2

Divisional revenues in the second quarter of 2019

in EUR millions	Q2 2018	Share of total revenues in %	Q2 2019	Share of total revenues in %	Change in %
Post & Parcel Germany ²⁾	3,592	23.9	3,647	23.6	1.5
Express	4,046	26.9	4,240	27.4	4.8
Global Forwarding, Freight	3,702	24.6	3,796	24.5	2.5
Supply Chain	3,212	21.4	3,251	21.0	1.2
eCommerce Solutions ²⁾	937	6.2	995	6.4	6.2
Corporate Functions/Consolidation ²⁾	-463	n.a.	-449	n.a.	3.0
Group	15,026	100.0	15,480	100.0	3.0

Divisional EBIT in the second quarter of 2019

in EUR millions	Q2 2018	Q2 2019	Change in %
Post & Parcel Germany ²⁾	108	177	63.9
DHL ²⁾	750	714	-4.8
- Express	517	521	0.8
- Global Forwarding, Freight	105	124	18.1
- Supply Chain	128	87	-32.0
- eCommerce Solutions ²⁾	0	-18	-
Corporate Functions/Consolidation ²⁾	-111	-122	-9.9
Group	747	769	2.9

1) After non-controlling interests

2) Prior-year adjusted

Group financial highlights for the first half of 2019

in EUR millions	H1 2018	H1 2019	Change in %
Revenue	29,775	30,833	3.6
- of which international	20,592	21,553	4.7
Profit from operating activities (EBIT)	1,652	1,928	16.7
Consolidated net profit ¹⁾	1,116	1,204	7.9
Basic earnings per share (in EUR)	0.91	0.98	7.7
Diluted earnings per share (in EUR)	0.89	0.96	7.9

Divisional revenues in the first half of 2019

in EUR millions	H1 2018	Share of total revenues in %	H1 2019	Share of total revenues in %	Change in %
Post & Parcel Germany ²⁾	7,399	24.8	7,481	24.3	1.1
Express	7,818	26.3	8,211	26.6	5.0
Global Forwarding, Freight	7,293	24.5	7,558	24.5	3.6
Supply Chain	6,336	21.3	6,518	21.1	2.9
eCommerce Solutions ²⁾	1,854	6.2	1,994	6.5	7.6
Corporate Functions/Consolidation ²⁾	-925	n.a.	-929	n.a.	-0.4
Group	29,775	100.0	30,833	100.0	3.6

Divisional EBIT in the first half of 2019

in EUR millions	H1 2018	H1 2019	Change in %
Post & Parcel Germany ²⁾	513	404	-21.2
DHL ²⁾	1,322	1,725	30.5
- Express	978	974	-0.4
- Global Forwarding, Freight	175	224	28.0
- Supply Chain	183	573	>100
- eCommerce Solutions ²⁾	-14	-46	<-100
Corporate Functions/Consolidation ²⁾	-183	-201	-9.8
Group	1,652	1,928	16.7

1) After non-controlling interests

2) Prior-year adjusted