

Deutsche Post DHL Group has successfully weathered the crisis so far: Significant increase in revenue and operating profit in the second quarter

- Broad portfolio of global logistics services pays off: Group revenue grows by 3.1 percent to EUR 16.0 billion in spite of Covid-19
- Operating profit jumps by 18.6 percent to EUR 912 million, slightly exceeding preliminary figures for the quarter
- Free cash flow increases by more than EUR 1 billion year-on-year to EUR 605 million
- CEO Frank Appel: “Especially now, our focus on our profitable core logistics businesses and the digital transformation of the company as part of Strategy 2025 pays off.”

Bonn, August 5, 2020: Deutsche Post DHL Group, the world’s leading logistics company, generated further growth in the second quarter of 2020, despite the impact of Covid-19. Thanks to its broad portfolio of logistics services and its global presence, the Group increased revenue by 3.1 percent to EUR 16.0 billion compared with the same quarter last year. Organic revenue growth (adjusted for portfolio and currency effects) was even higher at 4.6 percent. This was mainly driven by strong growth in e-commerce. Deutsche Post DHL Group was able to improve its operating profit (EBIT) by 18.6 percent to EUR 912 million in the second quarter. Adjusted for non-recurring effects last year and this year, EBIT climbed even by EUR 229 million to EUR 1.1 billion. With these results, the Group slightly surpassed the preliminary quarterly figures it released in July.

“More than on any occasion before, the crisis has shown the resilience of Deutsche Post DHL Group. Thanks to the tireless efforts of our 550,000 employees worldwide, we have been able to secure supplies to the world and maintain important supply chains for the industry – even in extremely challenging times,” said Frank Appel, CEO of Deutsche Post DHL Group. “Especially now, our focus on our profitable core logistics businesses and the digital transformation of the company as part of Strategy 2025 pays off. We have never been in better shape and I am confident that our company will emerge stronger from the crisis.”

Strong performance thanks to a diversified portfolio of logistics solutions

Thanks to the Group’s extraordinarily broad geographic footprint and comprehensive portfolio of logistics solutions – ranging from global express, air and ocean freight transport to warehousing and e-commerce solutions and post and parcel services in Germany – Deutsche Post DHL Group is more robustly positioned than other companies to overcome crises. The ongoing digital transformation of business processes and customer solutions, for example through the use of data analytics and

automation, has further consolidated the position of the divisions. The company's performance in the second quarter once again demonstrated the strengths of the Group: All five divisions generated an operating profit in spite of the challenging conditions resulting from the pandemic.

This strong performance was supported by the steps that the Group took at an early stage to adjust its capacities in an agile way to the altered demand situation and to ensure the availability of its own flight capacities. At the beginning of the second quarter, business performance in express, air and ocean freight and warehousing were impacted in particular by the pandemic protection measures imposed in Europe and North America. In the further course of the second quarter, for example, volumes with time-definite international express shipments began to recover, which allowed the Express division to reach the previous year's level in the first half of the year.

Group EBIT for 2020 expected between EUR 3.5 billion and EUR 3.8 billion

As a result of the company's good performance in the second quarter, Deutsche Post DHL Group issued new earnings guidance in July for the current financial year: The Group expects its operating profit to reach between EUR 3.5 billion and EUR 3.8 billion in 2020. This figure includes expenditures of about EUR 400 million that were forecast in February for the StreetScooter realignment, the planned one-time bonus payments for employees of around EUR 200 million¹ in the third quarter, and non-recurring impairments of about EUR 100 million caused by lockdown measures in the second quarter.

For the Post & Parcel Germany division, which will account for about one-quarter of the one-time bonus payments, the Group expects an operating profit of about EUR 1.5 billion. For its DHL divisions, Deutsche Post DHL Group projects EBIT of between EUR 2.8 billion and EUR 3.1 billion, including all non-recurring effects. Corporate Functions is expected at about EUR –750 million largely due to the StreetScooter realignment.

The company's mid-term earnings guidance as given in July remains unchanged. In this guidance, Deutsche Post DHL Group expects Group EBIT of around EUR 4.7 billion to more than EUR 5.3 billion for 2022 – depending on the shape of the general economic recovery. It also confirms the announced investment and cash flow targets.

¹ EUR 300 per full-time employee

Continued strong trends in free cash flow amid further investment activities

In the second quarter of 2020, Deutsche Post DHL Group invested a total of EUR 482 million across all divisions (2019: EUR 1,270 million). The prior-year figure included EUR 743 million, which represents a major part of the total investment in the 777-renewal of DHL Express' intercontinental fleet.

The Group's operating cash flow totaled EUR 1,646 million in the second quarter (2019: EUR 1,265 million) and bolstered the Group's continued strong financial situation – even during times of crisis. Free cash flow rose significantly to EUR 605 million (2019: EUR –547 million). This exceptional result was based on the very healthy development of the operating profit and the planned lower investment in the intercontinental fleet compared with the peak in Q2 2019.

“We have shown an exceptional free cash flow development in the first half of the year,” CFO Melanie Kreis said. “Our ability to do so in the middle of the crisis demonstrates the true effectiveness of the measures we have taken to strengthen free cash flow. Thanks to our strong balance sheet, we can afford to invest further in the profitable growth of our core businesses.”

Overall, Deutsche Post DHL Group generated consolidated net profit after non-controlling interests of EUR 525 million in the second quarter of 2020 (2019: EUR 458 million). Basic earnings per share increased accordingly to EUR 0.43 (2019: EUR 0.38).

Post & Parcel Germany: Parcel-business momentum fuels a nearly 50% leap in profit

In the second quarter, revenue in the Post & Parcel Germany division rose by 7.0 percent compared with the same period last year, to nearly EUR 3.9 billion. Operating profit rose by 49.2 percent to EUR 264 million. The improvement was due to the cost and pricing measures taken in both the mail and parcel businesses.

During the second quarter, the pandemic rapidly accelerated the long-term trend of rising parcel volume and decreasing mail volume. At the beginning of the second quarter, letter mail volume in the postal business declined largely because of a pronounced downturn in Dialogue Marketing. Since the end of March, the parcel business in Germany has been generating strong growth rates as a result of the closure of retail stores and the corresponding boom in e-commerce.

Express: Continued revenue growth with sustained high profitability

The Express division was able to increase its second-quarter revenue by 6.5 percent year-on-year to about EUR 4.5 billion. Its operating profit climbed to EUR 565 million (2019: EUR 521 million).

At the beginning of the second quarter, the division's performance was impacted by a sharp drop in volumes. But as the quarter advanced, volumes recovered, particularly in Asia, and ultimately reached in total the level of the same period last year. Key success factors were the availability of the company's own freighter aircraft and effective adaptation to the pandemic-related changed utilization of the network. The exceptional performance of the operating margin also reflects the division's strength. It reached 12.5 percent in a dynamic market and even slightly exceeded the previous year's level (2019: 12.3 percent).

Global Forwarding, Freight: Efficient reaction to changed market environment

In spite of significant challenges in international transport markets, the Global Forwarding, Freight division increased its revenue by 9.7 percent to EUR 4.2 billion in the second quarter. Its operating profit climbed by more than 50 percent year-on-year to EUR 190 million (2019: EUR 124 million).

The division faced a severe shortage of available air freight capacity resulting from the pandemic. Amid declining volume, however, this shortage of capacity led to a strong development of the gross margin in air freight. This was the main reason for the division's successful performance in the second quarter.

Supply Chain: Continued positive earnings contribution despite lower revenues

The Supply Chain division experienced a drop in revenue to about EUR 2.7 billion in the second quarter (2019: EUR 3.3 billion). It was, however, able to report an operating profit of EUR 35 million (2019: EUR 87 million). In addition to the pandemic-related revenue decrease, EBIT was negatively impacted by non-recurring effects of EUR 62 million.

Overall, the contract logistics business is more dependent on individual customer activities, as transport and warehousing solutions are often developed and operated specifically for one customer. The division saw very different developments depending on the sector. While parts of the retail sector and the life science & healthcare sector developed positively, business in the automotive sector weakened visibly. The foundation for the continued profitable performance is based on high cost discipline and the flexibility to find new solutions for customers in a dynamic market environment. This

strength is reflected in additional contracts worth EUR 302 million in annualized revenue that were concluded with both new and existing customers in spite of the crisis, exceeding last year's figure by EUR 47 million.

eCommerce Solutions: Profit further improved thanks to optimized portfolio and strong B2C volume growth

The eCommerce Solutions division increased its revenue by 16.8 percent to about EUR 1.2 billion in the second quarter. Operating profit improved to EUR 1 million despite non-recurring impairments of EUR 30 million (2019: EUR –18 million).

In addition to successfully optimizing its portfolio as part of repositioning the international parcel activities, the division made significant progress in its efforts to manage costs and boost efficiency. Its performance improved significantly in the course of the second quarter. The key driving forces behind these gains were B2C activities in Europe and America that benefited from rising shipment volumes.

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Note to editors: An interview with CFO Melanie Kreis can be found at www.dpdhl.com. The Group's investor webcast can be viewed on our website starting at 10:00 a.m.

Media Contact

Deutsche Post DHL Group

Media Relations

Christina Neuffer

Phone.: +49 228 182-9944

E-Mail: pressestelle@dpdhl.com

Internet: dpdhl.com/press

Follow us on: twitter.com/DeutschePostDHL

Deutsche Post DHL Group is the world's leading logistic 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. To this end, Deutsche Post DHL Group is focusing on growth in its profitable core logistics businesses and accelerating the digital transformation in all business divisions. The Group contributes to the world through sustainable business practices, 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: DHL offers a comprehensive range of parcel and international express service, freight transport, and supply chain management services, as well as e-commerce logistics solutions. Deutsche Post is Europe's leading postal and parcel service provider. Deutsche Post DHL Group employs approximately 550,000 people in over 220 countries and territories worldwide. The Group generated revenues of more than 63 billion Euros in 2019.

THE logistics company for the world.

Group financial highlights for the second quarter of 2020

in €m	2nd quarter 2019	2nd quarter 2020	Change in %
Revenue	15,480	15,959	3.1
– of which international	10,946	11,287	3.1
Profit/loss from operating activities (EBIT)	769	912	18.6
Consolidated net profit ¹⁾	458	525	14.6
Basic earnings per share (in €)	0.38	0.43	13.2
Diluted earnings per share (in €)	0.36	0.42	16.7

Divisional revenue in the second quarter of 2020

in €m	2nd quarter 2019	Share of total revenue in %	2nd quarter 2020	Share of total revenue in %	Change in %
Post & Parcel Germany ²⁾	3,625	23.4	3,878	24.3	7.0
Express	4,240	27.4	4,517	28.3	6.5
Global Forwarding, Freight	3,796	24.5	4,164	26.1	9.7
Supply Chain ²⁾	3,274	21.1	2,730	17.1	-16.6
eCommerce Solutions	995	6.4	1,162	7.3	16.8
Corporate Functions and consolidation ²⁾	-450	n.a.	-492	n.a.	-9.3
Group	15,480	100.0	15,959	100.0	3.1

Divisional EBIT in the second quarter of 2020

in €m	2nd quarter 2019	2nd quarter 2020	Change in %
Post & Parcel Germany ²⁾	177	264	49.2
DHL ²⁾	714	791	10.8
– Express	521	565	8.4
– Global Forwarding, Freight	124	190	53.2
– Supply Chain ²⁾	87	35	-59.8
– eCommerce Solutions	-18	1	>100.0
Corporate Functions/Consolidation	-122	-143	-17.2
Group	769	912	18.6

¹⁾ After non-controlling interests

²⁾ Prior-year figure adjusted