

## **"Thanks to our Strategy 2025, we are more efficient than ever before"**

**Deutsche Post DHL Group, the world's leading logistics company, continued its successful growth trajectory in the second quarter of 2021. Compared to the prior-year quarter, revenue increased by 22.2 percent to EUR 19.5 billion, and at EUR 2.1 billion operating profit (EBIT) more than doubled. The Group thus exceeded the preliminary quarterly figures published in July. In an interview with DPDHL Group News, CFO Melanie Kreis talks about how the Group succeeded in posting its best quarterly result ever and about the outlook for the second half of the current financial year.**

### **DPDHL Group News: Ms. Kreis, how would you assess Deutsche Post DHL Group's development in the second quarter of 2021?**

**Melanie Kreis:** We had a very strong second quarter. All divisions achieved a significant jump in earnings. This is due to the ongoing recovery in world trade and the structural e-commerce trend. We benefited greatly from both developments. With our Strategy 2025, we laid the foundation for this success early on. We focused on our profitable core businesses and systematically modernized and expanded our networks. Long before the outbreak of the pandemic, we geared our organization towards today's even stronger megatrends of digitalization and e-commerce. Thanks to the consistent implementation of our Strategy 2025, we were prepared for the significantly increased demand for transport and are currently operating more efficiently than ever before. We were able to increase the Group's EBIT margin further to 10.7 percent.

### **DPDHL Group News: In view of the good figures, you have raised the guidance in July once again. What results do you expect in the short and mid-term?**

**Melanie Kreis:** The upswing in world trade is a good starting point for the second half of the year. Nevertheless, it is currently uncertain how consumers and the global economy will react to possible virus mutations during the course of the year. Based on our strong performance, we now expect EBIT of more than EUR 7.0 billion for the current financial year. This includes a second Covid bonus, scheduled to be paid to our employees in the fourth quarter of 2021. Given the elevated demand levels we are currently experiencing, we are convinced that the demand for logistics services in 2023 will remain strong. In the long term, we expect a continuation of the structural growth in e-commerce and a sustained recovery in global trade. In addition, we are continuing to work on further optimizing our efficiency. We have therefore raised the earnings guidance for 2023 to more than EUR 7.4 billion.

**DPDHL Group News: You mentioned the Covid bonus. Why did you decide to pay your employees a Covid bonus again?**

**Melanie Kreis:** Our employees have made our success possible in the first place. They keep global trade flows – and thus the world economy – running, secure important supply chains, and transport Covid-19 vaccines around the world. At the same time, they are handling ever-increasing shipment volumes. As a symbol of our appreciation for their continued exceptional commitment, we are paying approximately 550,000 employees worldwide – as in the previous year – a special Covid bonus of EUR 300<sup>1</sup>. Our financial success is based on a fantastic team effort from which everyone should benefit: customers and investors, but above all our employees. They deserve our special thanks, without them these strong results would not be possible in challenging times.

**DPDHL Group News: They certainly are strong. Deutsche Post DHL Group was able to increase its free cash flow to EUR 919 million in the past quarter, while also making higher investments. How was that possible?**

**Melanie Kreis:** All our divisions have performed very successfully. In turn, our operating cash flow has also increased significantly. We also invested heavily in the past quarter for example into our aircraft fleet at Express, in additional sorting capacity at Post & Parcel Germany, and in automation technology in the Supply Chain division. Thus, we are systematically continuing the expansion and modernization of our networks and the digitalization of our processes. The structurally improved cash flow strengthens our ability to pay dividends and gives us additional leeway for further investments in profitable growth. For financial year 2021, we expect gross capex of around EUR 3.9 billion.

**DPDHL Group News: Let's look at the divisions: How has business developed at DHL Express?**

**Melanie Kreis:** Business with international express shipments has performed excellently worldwide. EBIT at Express marked an absolute record in the second quarter at EUR 1,177 million. The key success factor is our own aircraft fleet with an unmatched global network. On this basis we are able to offer our customers high added value, while transporting urgent shipments worldwide even when freight capacity on passenger aircraft remains scarce due to the pandemic. The demand for our core product, time-definite international express shipments, increased by 20.2 percent compared with the prior-year quarter. This enabled us to make optimum use of our network. With an EBIT margin of 19.8 percent, we achieved an outstanding figure.

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<sup>1</sup> EUR 300 per full-time employee

## **DPDHL Group News: How has DHL Global Forwarding, Freight performed in the second quarter?**

**Melanie Kreis:** The fact that world trade is increasingly recovering is felt most strongly by our colleagues at Global Forwarding, Freight. Transport volumes have reached pre-crisis levels, with air freight even exceeding them. Also because prices for sea freight have risen sharply, air freight is experiencing additional demand. Goods traditionally transported by sea were moved more frequently by air cargo planes due to port congestion, such as in Yantian. We were able to successfully offer our customers alternatives thanks to our leading market position. The increase in transport volumes in air, sea and road freight caused EBIT to rise significantly to EUR 312 million. This outstanding development was supported by our digitalization projects. Since implementation of our new centralized transportation management system DGFF has further improved automation and process efficiency across its global network.

## **DPDHL Group News: What development has DHL Supply Chain undergone?**

**Melanie Kreis:** Just a year ago, DHL Supply Chain was visibly struggling with the pandemic because contract logistics is much more dependent on the activities of individual customers than other businesses. Now our customers from heavily affected industries are back, while growth in Life Sciences & Healthcare remained strong. In addition, new business continues to develop positively. But we did not only benefit from recovery effects: In the pandemic, we further strengthened our focus on cost discipline, standardization and digitalization. This is bearing fruit, with the EBIT margin rising to 6.0 percent in the second quarter. At EUR 198 million, we have increased EBIT six fold compared to the previous year. But that's not all: The DHL Supply Chain colleagues are still working tirelessly on the professional storage and ensuring secure transportation of COVID-19 vaccines. They are thus making an important contribution to overcoming the coronavirus pandemic.

## **DPDHL Group News: What is the situation at DHL eCommerce Solutions?**

**Melanie Kreis:** Fueled by the pandemic the e-commerce has experienced a structural acceleration, which is particularly noticeable in our youngest division. We only concluded the prior-year quarter with a small positive result, and now we achieved a significant profit with an EBIT of EUR 116 million. Here, our success is also based on the consistent implementation of our strategy: We have geared our international parcel business towards growing volumes in e-commerce. A success story with revenue growth of more than 25 percent is Cross Border Solutions, which enables online retailers to ship to countries throughout Europe with DHL Parcel Connect. Economies of scale and greater efficiency boosted the EBIT margin to 8.1 percent.

**DPDHL Group News: How has the performance of post and parcel business in Germany evolved in the second quarter?**

**Melanie Kreis:** At Post & Parcel Germany, we were able to increase EBIT to EUR 315 million. Our revenue grew in both the mail and parcel businesses. The driver was definitely e-commerce. Parcel volumes once again grew significantly. In Germany alone, we transported an average of 7.6 million parcels every day, around 11.5 percent more than at the start of the pandemic related e-commerce boom in the second quarter of 2020. We are encouraged by the fact that the willingness to shop online in general is continuing to increase. Once high-street retail shopping has reopened on a permanent basis, we will probably return to normal growth rates, but from a significantly higher level. The overall economic recovery has also impacted the mail business. Volumes in dialogue marketing, i.e. advertising mailings by post, have picked up again. Overall, the mail business was able to overcome the trough caused by the pandemic last year with growth of 6.7 percent. A strong, fast and of course very pleasing development for us as well.

**DPDHL Group News: You already spoke about the recovery in world trade. Which impact does this have on Deutsche Post DHL Group?**

**Melanie Kreis:** Without logistics services, our highly interconnected world comes to a standstill. We are very proud to play such an important role in these challenging times. Whether vaccines, industrial components or goods ordered online: We bring goods *from* the people *to* the people. And we do it safely, quickly and reliably. In this way, we make a key contribution to connecting people and companies around the world, true to our purpose of "Connecting people, improving lives". We will do our best to continue to live up to that promise.