

## **“The first quarter provides us with a strong foundation to build on for the rest of 2022”**

**Deutsche Post DHL Group successfully continued its profitable growth course in the first quarter of 2022. The Group increased revenue by almost 20 percent year on year to EUR 22.6 billion and recorded an excellent opening quarter with operating profit (EBIT) of EUR 2.2 billion. In an interview with DPDHL Group News, CFO Melanie Kreis talks about the developments in the past quarter and possible effects of the Ukraine war on the Group’s business.**

### **DPDHL Group News: Ms. Kreis, Deutsche Post DHL Group had a very successful first quarter. Were the effects of the war in Ukraine not felt?**

**Melanie Kreis:** This war is causing unimaginable harm for millions of people in Europe. There is no justification for it and we continue to condemn Russia’s attack on Ukraine in the strongest possible terms. Concerning the impact on global economic growth and transport markets, so far we only encounter limited impact on our financial results. We had to make some adjustments, e.g. changing our flight routes to avoid Russia’s air space. Overall we have successfully found suitable and stable transport solutions for our customers under the current challenging circumstances and the broad portfolio of our Group proved to be resilient. Thanks to our diverse business models with a strong presence in all regions and a balanced distribution by customer groups and industry sectors, we are excellently diversified. Our expectations for the first quarter proved to be right. Online shopping has normalized, but remains at a high level. Accordingly, our networks continued to be well utilized. In addition, the international logistics business continued to develop solidly. We achieved a significant jump in earnings in air and ocean freight. For the first time, we achieved revenue above EUR 22 billion in the first quarter of the year and exceeded the EUR 2 billion mark of operating profit. Clearly, the first quarter provides us with a strong foundation to build on for the rest of 2022.

### **DPDHL Group News: What business developments do you expect in the short and medium term - also against the background of a possibly longer lasting war in Europe?**

**Melanie Kreis:** It remains difficult to make medium- to longer-term forecasts. Although world trade has so far proved resilient, we need to keep a close eye on global economic developments and consumer spending. Possible effects of the conflict in Eastern Europe cannot be foreseen yet, and any prediction remains subject to this uncertainty. Also there are other significant challenges, such as recurring lockdowns in China under its zero-Covid strategy. Subject to this uncertainty, we confirm our outlook for 2022 and 2024. We know from the Covid pandemic that we are also well positioned for times of crisis with our five different business divisions. We have a very well-balanced portfolio in terms of regions and

industry sectors. That gives us the stability and flexibility we need in challenging times.

**DPDHL Group News: Let us now take a look at the divisions. How was the start of the year for DHL Express?**

**Melanie Kreis:** Revenue grew by almost 16 percent in the first quarter. Growth was distributed evenly across all regions. Volumes fell moderately, as expected, but we were able to achieve higher revenue per shipment. This was partly because the average weight per shipment increased and partly because of price adjustments. Rising energy prices also had an impact on us. However, we are able to neutralize price movements through monthly adjusted fuel surcharges. In the first quarter, we continued to invest in the expansion of our networks and intensified our partnerships with Singapore Airlines and Cargojet. Through these partnerships, we are once again significantly increasing capacity on intercontinental routes. At the same time, we are focusing on growing our own Express fleet of more than 320 aircraft by ordering six additional Boeing 777Fs – the most fuel-efficient model in its class. We plan to continue growing sustainably and profitably in every respect at Express. The division will continue to deliver an attractive EBIT margin.

**DPDHL Group News: The performance of DHL Global Forwarding, Freight stands out in particular. What were the crucial factors here?**

**Melanie Kreis:** The freight business developed outstandingly this quarter. With an increase of almost 55 percent to EUR 7.4 billion, Global Forwarding, Freight is the division with the highest revenue for the first time. The challenges on the international transport markets have become even more acute with the existing scarce transport capacities experiencing further reduction. Renewed lockdowns in parts of China and the war in Ukraine have further fueled competition for freight capacity. Accordingly, prices and margins are increasing rapidly. In this volatile environment, the division nearly tripled EBIT and even slightly increased the transport volumes in air and ocean freight year on year. Further, the acquisition of ocean freight specialist J.F. Hillebrand Group optimally complements our portfolio with expertise in beverage logistics and contributes to our earnings effective April, 1.

**DPDHL Group News: What development do you see at DHL Supply Chain?**

**Melanie Kreis:** Contract logistics strongly benefited from the recovery in world trade and an associated growth in B2B business in the first quarter. The record new business signed in the previous year is now having a positive impact on revenue across all regions. This was particularly noticeable among e-commerce customers. Retailers also demanded more warehousing and distribution services, given that public life has picked up again now. We were also able to leverage our expertise in dealing with complex supply chain solutions in the engineering & manufacturing and life sciences & healthcare sectors. We have consistently worked on enhancing our efficiency with investments in unloading robots and automation. This is reflected in the improved EBIT margin of 5.4 percent.

## **DPDHL Group News: How did the DHL eCommerce Solutions division perform in the first quarter?**

**Melanie Kreis:** The division has developed exactly as we expected. Online shopping has stabilized at a higher level, as have earnings and revenue. Buoyed by a positive operating result, we can continue to invest in our profitable business. By way of an example - in the Netherlands, we intend to expand our successful CityHub concept for environmentally friendly downtown delivery and further provide our customers efficient and sustainable services. We have already opened the first DHL CityHub XL. Over the course of the year, 26 more carbon-neutral CityHubs and two sorting centers with a capacity of 200,000 parcels per day are to be added. We are thus laying the foundation for further sustainable and profitable growth.

## **DPDHL Group News: How did Post & Parcel Germany fare in view of the expected normalization in online shopping?**

**Melanie Kreis:** Overall Post & Parcel Germany performed well. As expected, revenues and earnings were down versus the exceptionally strong previous year results, because parcel shipment volumes normalized after the boom phase during the pandemic. With around 1 million more parcel shipments per working day, shipments have reached a structurally higher level compared to the first quarter of 2019 and 2020. The letter mail business continued to stabilize in the past quarter. In the area of dialogue marketing, we saw a positive increase in advertising mailings, resulting in a slightly increased revenue contribution of the letter mail business. On the earnings side, we were able to partially offset the lower capacity utilization in the parcel business through efficiency gains.

## **DPDHL Group News: How did the completed Hillebrand transaction affect free cash flow in the first quarter?**

**Melanie Kreis:** The successful acquisition of ocean freight specialist Hillebrand impacted our free cash flow by around EUR 1.4 billion in the first quarter. We were able to execute this transaction by making use of our available funds without having to rely on capital market sources. Adjusted for this effect, free cash flow again developed very positively and almost matched the record level of the previous year with EUR 1.1 billion. Thanks to the progress we have made in cash flow generation, we are now in the favorable position of being able to execute a transaction of this magnitude without having to curtail investments in our core business. Accordingly, in addition we invested more than EUR 0.5 billion in further profitable growth – and that is just the beginning. Overall, we plan to spend a record sum of around EUR 4.2 billion this year.

## **DPDHL Group News: What role will sustainable solutions play in investments?**

**Melanie Kreis:** We are a leader in terms of sustainability – not only compared with our German competitors, but also in the international arena. We want to retain this leadership role and are investing in further green transportation solutions. This meets the increasing interest of our customers for

sustainable logistics solutions. With the expansion of the GoGreen Plus service, customers can now book sustainable fuel (SAF) not only in ocean but also in air freight, to decarbonize their supply chains. In addition, we succeeded in closing one of the largest SAF deals in the history of aviation so far. In cooperation with bp and Neste, we have secured more than 800 million liters of SAF through 2026. In this way, we are taking decisive action against aviation-related emissions.

We are also investing in digital solutions for sustainable route planning or the use of artificial intelligence to optimize packaging material needed in ocean freight. We plan to invest a total of EUR 7 billion in climate-neutral logistics solutions by 2030. We are convinced: by consistently pursuing our ESG roadmap, we will remain the first choice for customers, employees and investors.