

"We continue to benefit from our highly flexible networks"

Deutsche Post DHL Group continued its profitable growth course in the third quarter of 2022. The Group increased revenue by 20.0 percent year-on-year to EUR 24.0 billion. Operating profit (EBIT) increased to EUR 2.0 billion. In an interview with DPDHL Group News, CFO Melanie Kreis explains why Deutsche Post DHL Group expects record EBIT in 2022 and how the Group is responding to the slowing global economic momentum.

DPDHL Group News: Ms. Kreis, how do you assess Deutsche Post DHL Group's third-quarter results?

Melanie Kreis: We were once again able to execute our strengths, but are experiencing a slowdown in growth momentum worldwide. Thanks to proactive network adjustments based on our flexible structures and great cooperation between the divisions, we were able to efficiently utilize our global networks. In this environment, Global Forwarding, Freight, Supply Chain and Express further increased both revenue and EBIT, and were thus the main driver of our positive business development. After a period of normalization e-commerce picked up again in some countries. Correspondingly, parcel volumes in Europe, and especially in Germany, again recorded slight growth. Rising energy and gas prices still caused only a minor impact on our profitability in the third quarter due to established price mechanisms in the DHL divisions, but were felt at Post & Parcel Germany. Overall, we again achieved an excellent result. We increased revenue by 20 percent and EBIT by more than 15 percent. In short: our Strategy 2025, with its focus on e-commerce, digitization, globalization and sustainability, continues to pay off.

DPDHL Group News: How have you managed to utilize your networks efficiently despite the fluctuations in the market?

Melanie Kreis: In the last two years our earnings have made a huge step forward, but our company is not immune to stronger global economic headwinds. Flexibility is the decisive factor. This is particularly paramount in times of economic restraint. Two points in particular distinguish us in this environment: firstly, our broad portfolio, which is equally balanced in terms of services, sectors and regions. Accordingly, there is no over-dependence on sector-specific or regional developments. This creates resilience. And secondly, the great adaptability of our networks. As an example, we cannot only access the owned aircraft fleet of Express, but are also able to flex capacities with short- and mid-term leasing contracts. This enables us to react quickly and efficiently even to short-term fluctuations in demand. Based on our many years of experience and customer centricity, our forecasts for the past quarter largely materialized. We were thus well prepared. Looking ahead, certainly capacity planning won't become easier in a volatile economic environment.

DPDHL Group News: You have upgraded your EBIT guidance for the current year. What is the basis for this assessment and how will the global economic situation affect the Group's business beyond 2022?

Melanie Kreis: Our earnings performance in the first nine months was positively driven by the DHL divisions, which is why we have raised our EBIT guidance for the full year to a new record level of around

EUR 8.4 billion. We have proven that our business model is resilient even in volatile times. With Supply Chain, for example, we have a division that is characterized by long-term contractual relationships and is less volume-driven. This will also give us stability in a weaker market environment. In the B2C businesses, we saw in the third quarter that e-commerce normalization at a structurally higher level is almost complete. In international freight markets, freight rates have begun to normalize. Container congestion has decreased significantly compared to the beginning of the year. Accordingly, more capacity is coming onto the market again and reliability is increasing. This development will continue more strongly in the coming quarters and is likely to result in a less dynamic growth.

We are closely monitoring the slowdown in global growth momentum and utilize suitable and proven levers. We keep a close eye on our costs and ensure disciplined yield and cash management. With these levers, we can successfully respond to a macroeconomic downturn.

DPDHL Group News: Thanks to the very good business performance, the Group is earning significantly more money than it is spending. In the third quarter alone, free cash flow amounted to EUR 1.8 billion. What do you use the Group's financial strength for?

Melanie Kreis: We further strengthened our financial power in the third quarter and increased our free cash flow guidance for 2022. We are using these funds as part of our Strategy 2025 to invest further in profitable growth. The events in the last two years have shown the importance of having robust supply chains and logistics. Customers increasingly recognize logistics as a value driver and are diversifying their supply chains by means of multisourcing and multishoring. Southeast and South Asia are particularly in focus as new poles of trade growth. Companies are locating more and more production here. This increases complexity and requires logistics know-how. That's why we are making targeted investments there. We are also strengthening our positioning as a partner for online stores. With the majority shareholding in the Dutch e-commerce specialist Monta, for example, we want to support small and medium-sized online stores in the area of e-fulfillment. In addition to investments in our workforce and sustainability, the focus remains on greater automation to further improve our efficiency and service quality.

DPDHL Group News: Let us now take a look at the divisions. How do you assess the earnings performance of DHL Express?

Melanie Kreis: Express had another very good quarter, despite a difficult environment in which, for example, currency effects created a significant headwind for earnings. Volumes in the B2B and B2C business actually declined less sharply than in the first half of the year. At the same time, the weight of shipments increased slightly, which helps our revenue. Our unique international networks continued to be well utilized, which is why Express again achieved a very good EBIT of above EUR 1 billion. For the final quarter, we expect a typical seasonal pattern in the B2C business with a peak in shipment volumes. Thanks to the extensive experience of the Express teams, we will be able to efficiently align our networks to changing market conditions. This will help us in the challenging quarters ahead.

DPDHL Group News: The forwarding business again achieved strong growth rates. What factors were decisive for the development of DHL Global Forwarding, Freight?

Melanie Kreis: The division had another strong quarter: revenue was almost 40 percent above the previous year, and EBIT surged even more strongly by 57 percent. During a period where international shipments are not always easy to manage, freight rates remained high. Global Forwarding, Freight was therefore once again the division with the highest revenue. However, the expected easing on the international freight markets began in the third quarter. Capacities on the market increased while demand decreased. The earnings performance of Global Forwarding, Freight in the current year is outstanding, but unsuitable as a benchmark for the year ahead, because the dynamic market development will normalize in the coming quarters. However, even with a somewhat weaker growth forecast for freight volumes, we are still in a position to achieve an attractive level of revenue and EBIT. We have laid the foundations for this with internal improvements, such as the rollout of the new transport management software.

DPDHL Group News: How was the past quarter for DHL Supply Chain?

Melanie Kreis: This division grew in all regions. The positive trend continued particularly in North America. We also had good growth in the auto-mobility, life sciences and health care, and consumer sectors. The new business acquired last year showed a smooth start-up performance and had a positive impact, as did contract renewals. E-fulfillment and omni-channel-based solutions also contributed to growth. The acquisition of the Australian Glen Cameron Group with its transport and freight solutions is additionally bearing fruit. Thanks to the good development, Supply Chain increased its revenue by 14.5 percent. The course for further growth has already been set. For example, we are investing around EUR 500 million in warehouse space and our workforce in India by 2025.

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

Melanie Kreis: Fortunately, we have not seen any dip in revenue this year after the surge in growth during the pandemic. At EUR 1.5 billion, revenue in the third quarter was moderately higher than a year earlier. E-commerce has even grown again in individual countries. For example in the Netherlands. Here we are gaining market share and further expanding our networks. In Dordrecht, slightly more than 20 kilometers south of Rotterdam, we just opened the fourth major parcel center. This will create efficient structures and equip us for higher shipment volumes, such as in the upcoming peak season. Overall, we are preparing for a seasonal increase in parcel volumes.

DPDHL Group News: How did Post & Parcel Germany hold up?

Melanie Kreis: In a challenging environment the division almost matched the previous year's EBIT and revenue levels. While the parcel business grew again in the third quarter, the mail business remained below the prior-year level. In individual regions, we faced an unusually high sickness level coupled with a tense situation on the labor market. This also impacted service quality in the mail business. Even though Stiftung Warentest attests us the best service in the parcel business across all competitors, our focus is now on improving quality again and stepping up recruitment measures once more, particularly for the delivery, sorting and loading areas. This requires investments in infrastructure, personnel and

processes. Accordingly, these will also have an impact on our cost base in the fourth quarter 2022.

DPDHL Group News: The implementation of the ESG roadmap is a supporting pillar of the Strategy 2025. How is Deutsche Post DHL progressing along this path?

Melanie Kreis: Environmental disasters such as drought, forest fires and even floods have shown us this summer again that the time to act is now. We are therefore particularly pleased that we were able to achieve further milestones of our ESG roadmap in the past quarter. Sustainable aviation is the key lever for us. We plan to add twelve "Alice" e-cargo aircraft from Eviation Aircraft to the DHL Express fleet network. Alice completed its maiden flight end of September and showed that emission-free flying is no longer a pipe dream. In the short and mid-term, we concentrate on the use of sustainable aviation fuels. However, the scarcity of these fuels is hindering faster change. Policymakers need to create more incentives here. Yet, we are focusing on sustainability not just for air freight, but also for ocean freight. That is why we have secured around 60 million liters of sustainable marine fuel in a partnership. This will reduce CO₂ emissions by almost 200,000 metric tons by 2024.

In the area of social commitment, I am particularly proud that DHL Express has been named the world's best employer for the second time in a row. To ensure that we continue to set new standards in the logistics sector with our sustainability strategy, we reconstituted our Sustainability Advisory Board in October. This once again underscores our mission to be the employer, provider and investment of choice.