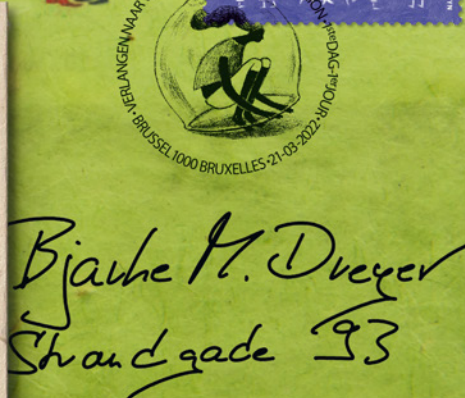


...er hat das Recht, seine Meinung in Wort, Schrift
und Bild frei zu äußern und zu verbreiten und sich aus



Betätigung wacht die staatliche
den Willen der Erziehungsber
nur auf Grund eines Gesetzes v
werden, wenn die Erziehungsber



Letter prices in Europe

Up-to-date international letter price survey

2023

22th edition



Dear Reader,

It's no less than the 22nd time we've published our European letter price comparison. As you read it, you'll see once again that Deutsche Post offers very affordable postage rates compared with the rest of Europe. This result has been repeated

throughout the study's 20-year-plus history, through all the changes that have taken place on the European mail markets over the period.

Let's look at the picture ten years ago. In 2013 the nominal average price of a standard letter was € 0.59 and it's now € 1.33. In many European countries the letter price has more than doubled in the last ten

years, whereas the changes in Germany have been more moderate. And there's something else. Most European postal service providers now offer a slower letter service that takes several days as well as letters with next-day delivery. That means the customer can choose between fast and slow delivery. The regulatory situation makes this impossible in Germany, and we hope that an amendment to the German Postal Act will one day change this. In eight out of the 31 countries analyzed here, however, the national postal service provider no longer offers next-day delivery for letters.

These changes are driven by digitalization, which over the last 25 years has radically transformed the way we all communicate. Digital forms of communication have largely displaced conventional correspondence, resulting in much-reduced volumes in the mail networks of all postal service providers and much higher transport and delivery costs per letter. This trend might not yet be as pronounced here as in places like Scandinavia,



but the structural reduction in mail volumes is certainly making itself felt here at Deutsche Post. In the last five years alone, the number of letters we carry every year has fallen from an annual 18.6 billion to 14.1 billion – down 24 percent! What is certain is that this development won't stop any time soon.

We've been able to offset some of this structural change with technically optimized route planning and combined mail and parcel deliveries. But ultimately, the statutory arrangements, which in Germany still reflect the analog world of the 1990s, will have to be adapted to the new circumstances in the mail markets.

A reliable and affordable universal service with good working conditions must be prioritized over the goal of encouraging competition in the rapidly shrinking mail market. There isn't a single European country where encouraging competition is working successfully. On the contrary. In many other European countries, postal policy is already focused on preserving postal services that are nationwide and close to customers. Germany might have led the way in the European Union in terms of post-liberalization, but now there's work to be done to future-proof our postal services.

Not least because the sector has to play its part in protecting the climate. A new regulatory framework must offer effective incentives to encourage CO₂-neutral provision of the universal service obligation. For Deutsche Post, the transformation to climate neutrality has a high priority, as demonstrated by the electrification of the delivery fleet and the climate-neutral construction of our operating facilities.

We're taking the future into our hands and have the wish to the legislators to support us with an appropriate regulatory framework. We want to make sure that one thing doesn't change: our position as "the postal service provider for Germany" and as a company that is reliable, innovative and always close to the customer.

Summary

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April 2023

We hope the following will be insightful and inspiring.

Volker Ratzmann

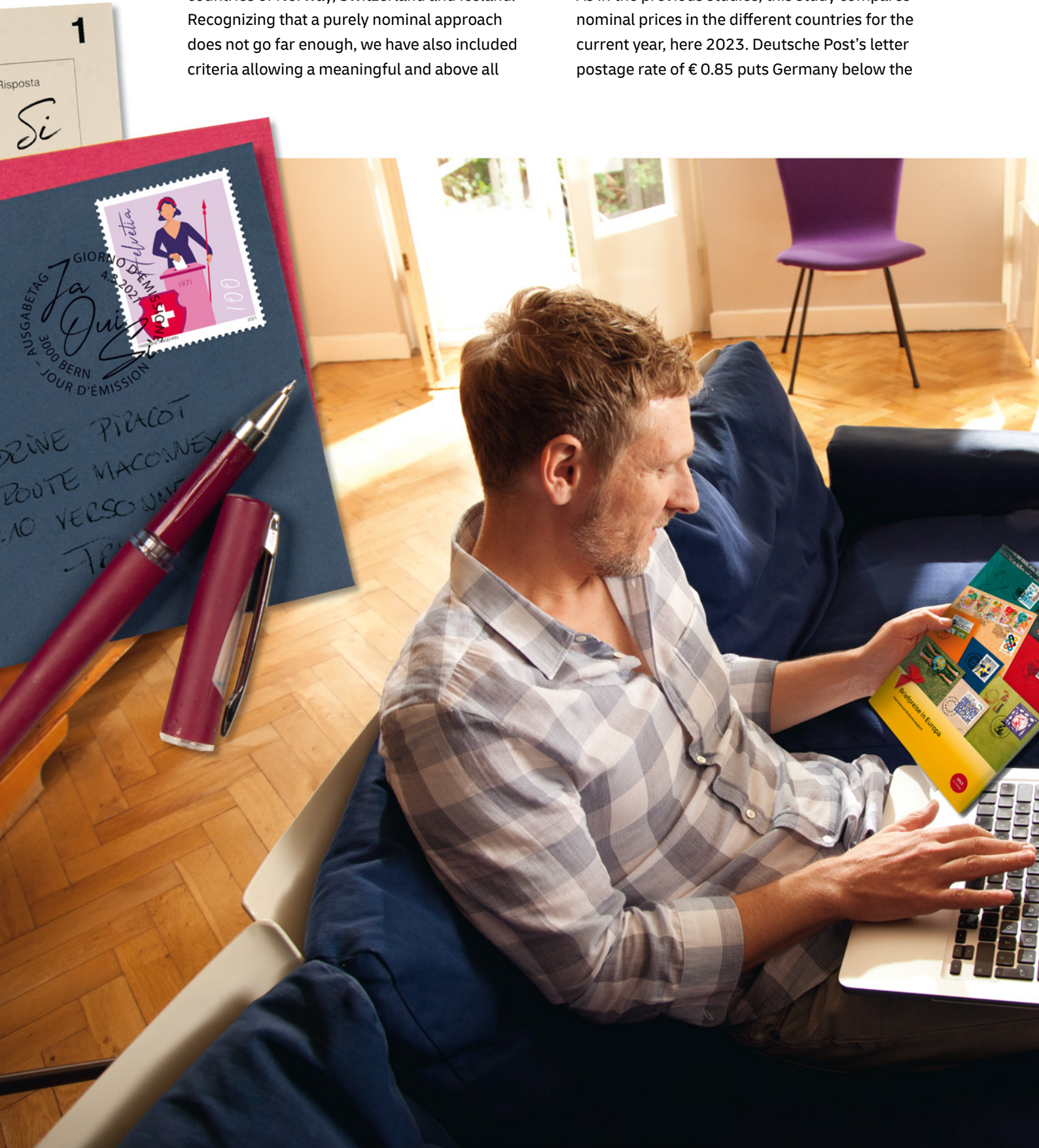
EVP Corporate Public Affairs

1 Summary

This is the 22nd time Deutsche Post has published a study comparing current letter prices in Europe. The study reviews the 27 member states of the European Union, Great Britain, and the EFTA countries of Norway, Switzerland and Iceland. Recognizing that a purely nominal approach does not go far enough, we have also included criteria allowing a meaningful and above all

objective comparison of letter prices. They include macro-economic factors and the changing inflation rates in the countries under review.

As in the previous studies, this study compares nominal prices in the different countries for the current year, here 2023. Deutsche Post's letter postage rate of € 0.85 puts Germany below the



average, in 23rd place out of 31. Unlike in Germany, prices for domestic and European letters have increased significantly in most of the countries under review since the last study.

On average, the domestic letter postage rate increased by eight euro cents and the price for a cross-border letter within Europe by € 0.16.

A domestic letter costs an average € 1.33, which is € 0.48 more than a Deutsche Post standard letter.

Germany is well-positioned in terms of letter prices, and this is underlined if the figures are adjusted for inflation. Taking account of general price increases reveals that the price of a standard letter in Germany has risen by more than 26 % since 2013. For comparison, the average across Europe increased by almost 90 % over the same period. There are only three countries posting a better inflation-adjusted performance.

In Germany, the average time someone needs to work in order to pay for a standard letter is also particularly low. Only in Switzerland do workers have to work a bit less to earn the postage rate of a standard letter.

The consolidated result, in which the prices are adjusted for labor costs and purchasing power, once again reveals that Deutsche Post's letter prices are among the cheapest in Europe. There are only three countries with more affordable domestic letter mail rates, with customers having to pay more in 27 other nations.





2 Comments on methodology

This study begins by comparing prices for domestic standard letters and international letter mail within Europe in the 27 member states of the European Union, in the United Kingdom and in the EFTA countries of Iceland, Norway, and Switzerland. For domestic letters, the study

considers the fastest letter mail product in all the countries under review, which according to current product specifications generally has a next-day delivery target (D+1). The primary concern here is comparability, i.e., services with quality criteria allowing for real comparison, in particular with regard to transit times.



This method is also applied to countries such as Denmark, Italy and Belgium where a substitution-related decline in volume has led them to raise prices for letters with a transit time of D+1 dramatically compared to products with shorter transit times, in some instances combined with special services such as basic item tracking.

In countries where value-added tax (VAT) is levied on the letter services considered for this comparison, the study uses the gross price, i.e., the letter price including VAT. Gross prices are significant because the most relevant factor in such a comparison are the actual prices consumers have to pay. This study considers standard letters only, as this product represents the lion's share of all letters sent by private customers and therefore best reflects actual consumer behavior on the letter market.

Nominal letter prices and the nominal price development in Europe over the last five years will be presented first, followed by the development of letter prices from 2013 to 2022, adjusted for inflation. Next, the average number of minutes industrial workers have to work in the individual countries to earn the price of a standard letter is examined. Finally, a comparison will be made of letter prices in each country, adjusted for factors such as labor costs and differences in purchasing power. Here the relevant values for Germany and the other countries are compared as required by the respective factors to be adjusted for.

The calculated ratios are multiplied by the nominal letter prices of the relevant countries, resulting in the adjusted letter prices.

This study also takes into account all applicable postage rates or officially announced price changes as of March 15, 2023, in the countries under review. The data on the individual countries was taken from Eurostat, national statistics bureaus and postal service providers in the nations surveyed. To adjust the letter prices so that they reflect labor costs, statistical data was used that most closely corresponds to the sector under consideration (i.e., postal, courier, and express services). In order to calculate "work in minutes per letter price," the study used data identified by the Cologne-based German Economic Institute (IW), namely the hourly wages of a worker in the manufacturing industry. Since it was not possible to obtain recent data on labor costs and salaries in Iceland, this country was not included in the "work in minutes per letter price" analysis, the letter price adjusted for labor costs, and the consolidated analysis.

In some cases, the exchange rate had an impact on letter prices shown here. For example, Swiss Post's letter price in euros rose by seven euro cents after conversion, even though there was no price increase in that country.



3 Review of nominal prices

Domestic letter mail

Comparing the nominal prices for a domestic standard letter has traditionally placed Germany below the average of the countries under review. Deutsche Post's stable € 0.85 for a standard letter puts it in 23rd place out of 31, after 21st place last year. That means Germany is now € 0.48 below the European average, which has increased to € 1.33.

Since the last study, postage rates have increased in 21 out of 31 European countries under review. The biggest price hike was in Latvia, where a standard letter now costs € 1.65 after € 1.20 last year – an increase of about 38 %.

The domestic standard letter also jumped in price in Romania (+26 %), Luxembourg (+25 %), Hungary (+25 %), Malta (+23 %) and Slovakia (+20 %). On the other hand, the letter price only increased slightly in Norway (+5 %), the Netherlands (+5 %) and Spain (+4 %).

In Finland, Posti did something different this year: they stopped offering next day delivery (D+1) for letters. The fastest standard letter, which was used for this study, now has a transit time of two days (D+2). Costing € 2.10, this letter is € 1.30 cheaper than the D+1 letter that was still available last year.

That moves Finland from second place to fourth place in the table of nominal prices compared to last year.

As before, the highest nominal letter price in Europe is found in Denmark, costing the equivalent of € 4.30. Second place is now occupied by Italy, with € 2.80. The Italian standard letter, which is "Posta1" in this comparison, includes the option of simplified shipment tracking. Other countries with a standard letter price above the two-euro mark are Belgium with € 2.17, Finland with € 2.10 and Iceland with the equivalent of € 2.04.

There has been very little movement around the middle of the nominal price rankings. Keeping its letter price at € 1.90 shifts Greece from fourth place to seventh place. Latvia's big price increase moves it to eighth position, four places higher than 2022. A price increase from £ 0.95 to £ 1.10 pushes the letter price of Royal Mail in Britain from 16th to 13th place.

In Croatia, the euro replaced the old national currency (the kuna) on January 1, 2023. However, Croatian Post's letter price remained unchanged at € 0.86 (previously 6.5 kuna), putting it now in 22th place, following its ranking of 19th last year.

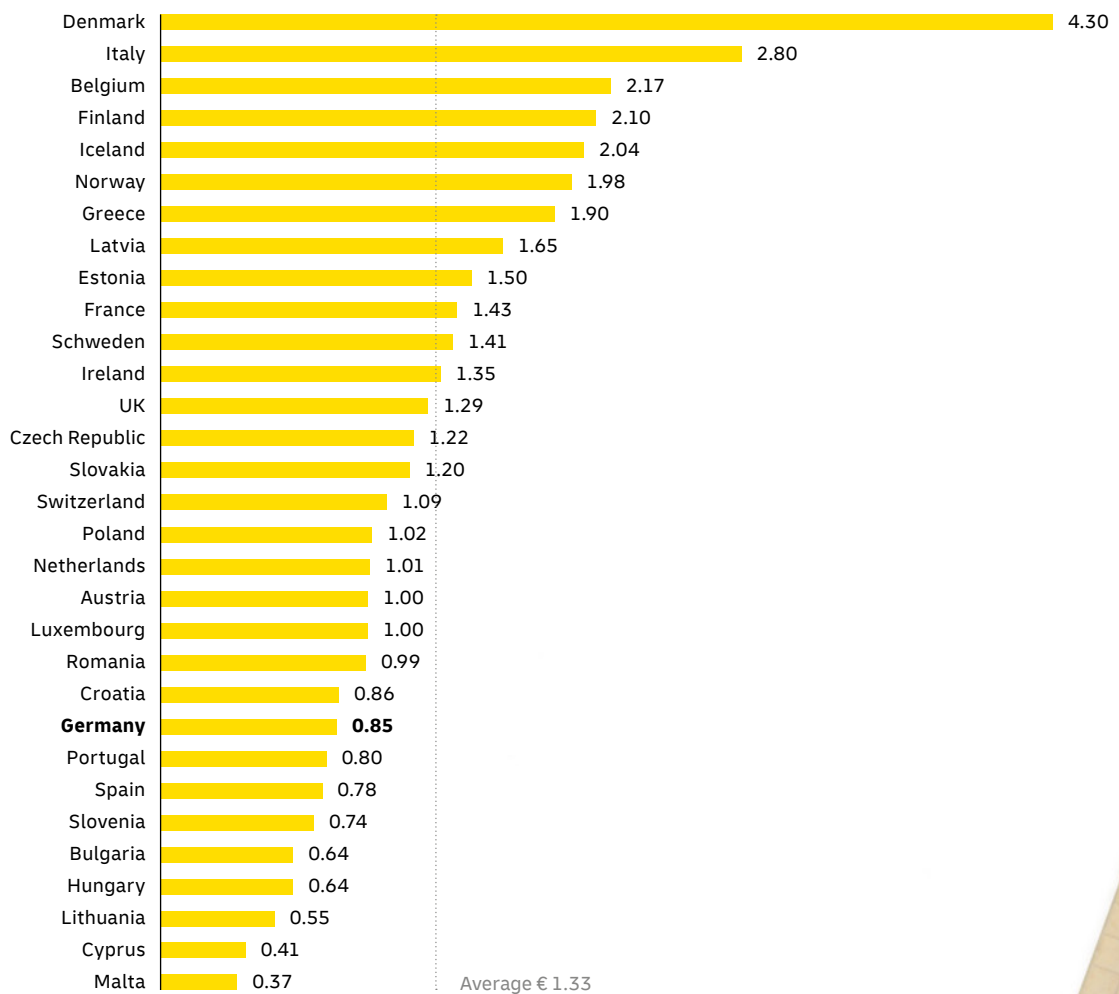
Domestic letters can still be sent for less than € 0.70 in Bulgaria, Hungary, Lithuania and Cyprus. Malta is the cheapest at € 0.37, despite the recent price increase, and has occupied the last position continuously since 2008.





Nominal price for a domestic standard letter

in Euro





Price developments since 2018

In many European countries, the price for a domestic standard letter has risen considerably over the last five years, nearly always more than in Germany. On average, the nominal prices for a domestic letter in local currencies have increased in the last five years by over 57 %.

This development is also reflected in the change in the average nominal price for a domestic standard letter, which was € 1.02 in 2018.

Meanwhile, as mentioned above, that price has now reached € 1.33. This corresponds to an increase of 30 %.

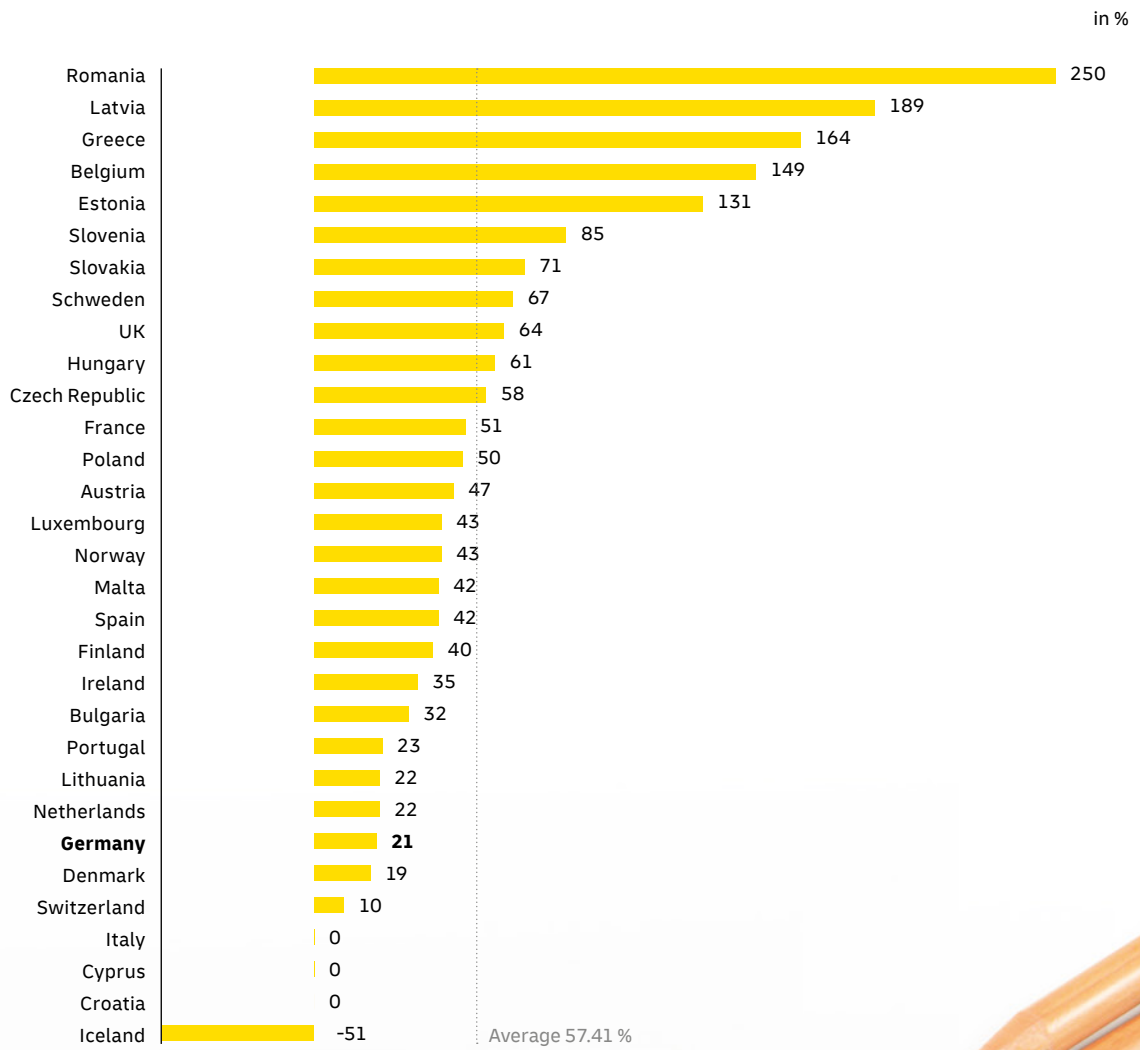
The highest percentage price increase since 2018 is 250 % in Romania. Latvia now occupies second place, followed by Greece, which is unchanged at position

three. In Belgium and Estonia, too, the nominal letter price has more than doubled since 2018. In Italy, the high nominal price has remained stable over the past five years. The same is true for Croatia and Cyprus since 2018. In Iceland, the letter with next day delivery as standard was included in this study in 2018, but has now been discontinued without a replacement. For this reason, the figures now relate to a cheaper service with slower delivery, which explains the 51 % price reduction shown in the table.

Despite a nominal increase of 21 % since 2018, the price for Deutsche Post's standard letter still remains well below the European average. Letter prices have risen more sharply in 24 of the 31 surveyed European countries over the last five years than they have in Germany.



Price developments 2018 – 2023



Letter mail within Europe



Since the last study, cross-border mail within Europe has become more expensive in 17 of the countries under review. In 16 of them, postal service providers also raised domestic letter rates, meaning that France was alone in increasing the postage rate for a European letter. In five countries, there were price hikes for domestic letters only. In 14 countries, the postage rate for letters sent within Europe saw no change.

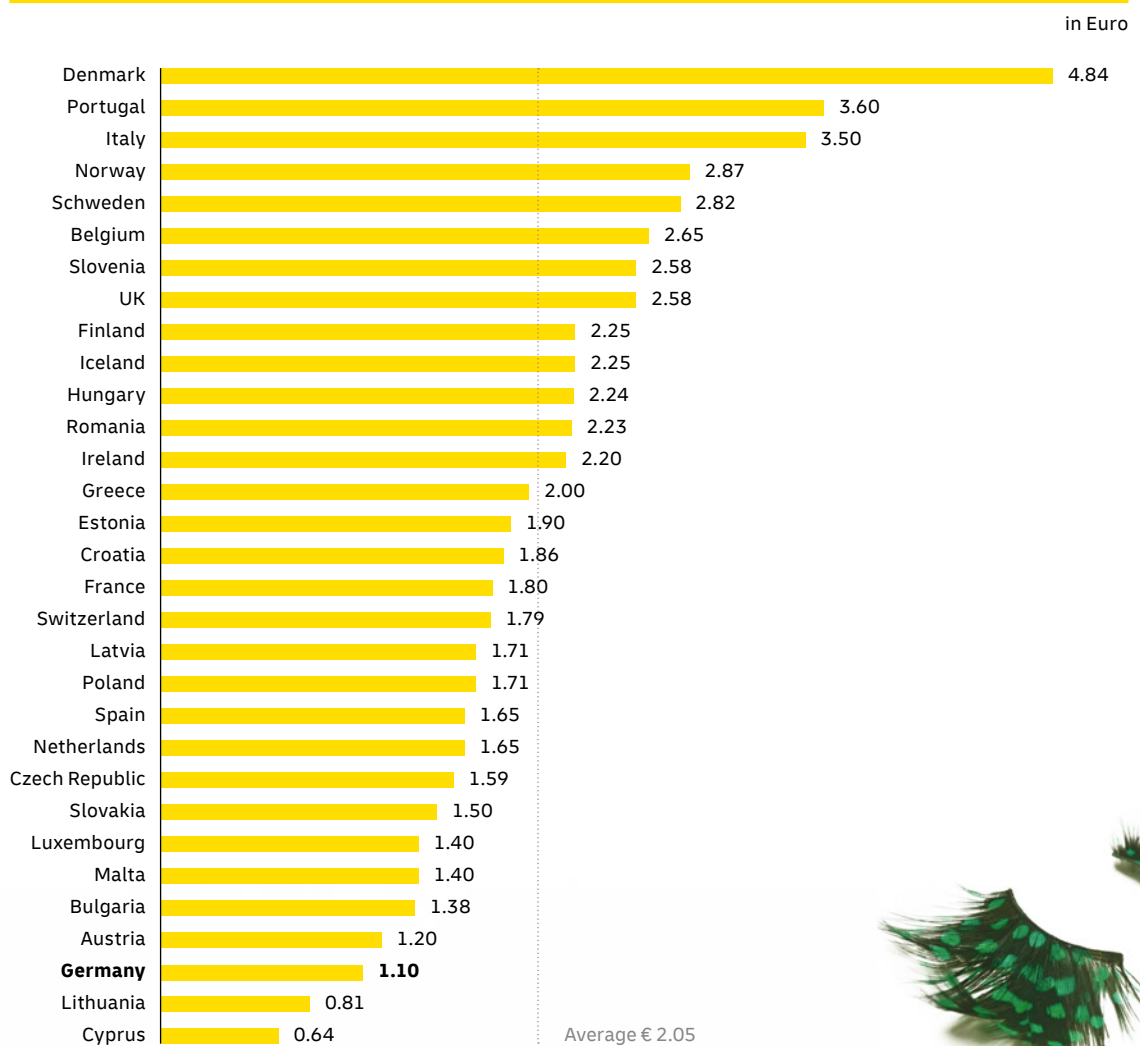
The average price of letter mail within Europe crossed the two-euro threshold for the first time, and is now € 2.05. This is € 0.16 more than last year. In 13 countries the postage for Europe-wide mail dispatch is more expensive than the average; in 18 it is less expensive. By far the biggest price increase for a letter sent within Europe happened in Malta. There, the price soared 137 % from € 0.59 to € 1.40. There were also substantial price hikes in countries including

Luxembourg (33 %), Austria (25 %) and Hungary (22 %). Moderate price rises of about ten percent, from an already high base, were recorded in Portugal (from € 3.25 to € 3.60), Finland (from € 2.05 to € 2.25) and Romania (from 10 to 11 leu). Exchange rate fluctuations also had an impact on letter mail within Europe. For example, in the Czech Republic the price for the intra-European letter did not change in the local currency (the Czech koruna), but its conversion into euros resulted in a price climb of seven euro cents.

In all countries, it is more expensive to send a letter internationally within Europe than it is to send one domestically. Finland used to be the exception, where it was cheaper to send a letter anywhere in Europe than to dispatch a domestic D+1 letter. Now that the Finnish Posti is no longer offering a D+1 letter and this study takes the less expensive D+2 letter into account, sending a letter to Europe has become more expensive than the domestic product used for comparison here. On average in Europe, the intra-European letter is 1.8 times more expensive than the domestic standard letter. In Portugal, this factor is 4.5, in Hungary 3.5, in Spain 2.1 and in Germany just 1.3.



Nominal price for letter mail within Europe



Customers in Denmark continue to pay the highest nominal price for letters sent to another country in Europe (€ 4.84 after conversion). Portugal and Italy have swapped positions two and three, with € 3.60 and € 3.50 respectively. Following a big price increase of 20 %, Iceland now occupies tenth place, six places up from the year before. The price of the European letter product offered by the Irish An Post, on the other hand, remains unchanged; Ireland is now down five positions compared to 2022, in 13th place.

Greece has dropped three positions to 14th place, whereas France has climbed three positions with a price rise of 9%.

Deutsche Post's European postage rate of € 1.10 puts Germany in the bottom trio. The only places where it is cheaper to send a letter within Europe are Lithuania and Cyprus.



HAPPY

4 Adjustment for inflation since 2013



A robust and objective price comparison is only possible if we take account of the varying monetary developments in the individual European countries. It is essential to consider inflation in the 31 countries under review. A letter price which is nominally unchanged – as in Germany for example – is actually reduced in real terms by the inflation rate.

The average rate of inflation in all the countries surveyed was 2.16% in the period from 2013 to 2022. However, prices rose at very different rates in the European countries, although inflation increased considerably in all of them recently. Switzerland kept prices very stable as usual, with an inflation rate of 0.15% on average, while in Greece it was 0.78%, in France 1.52% and in Germany 2.04%. In Poland prices increased at an average of 2.95% in this period, in Lithuania 3.51% and in both Estonia and Hungary 3.8%.

On average, the inflation-adjusted price for a domestic standard letter rose by nearly 89% compared to 2013. The range is very wide: from small price increases in Lithuania and Switzerland to increases exceeding 200% in table-topping Italy and Denmark.

In this analysis, there have been some big moves compared to last year. For example, Latvia moved from 14th place to 6th place with an inflation-adjusted percentage price hike over 150%. The Czech Republic, on the other hand, dropped six places to 13th. Just a year ago, Finland topped the table. Now that the Finnish Posti has discontinued the D+1 letter and this study takes the less expensive D+2 letter into consideration, the inflation-adjusted letter price of the Finnish Posti ranks 14th. PostNL's standard letter has also made a striking move down the table. The Netherlands now occupies 25th place, down seven on last year.

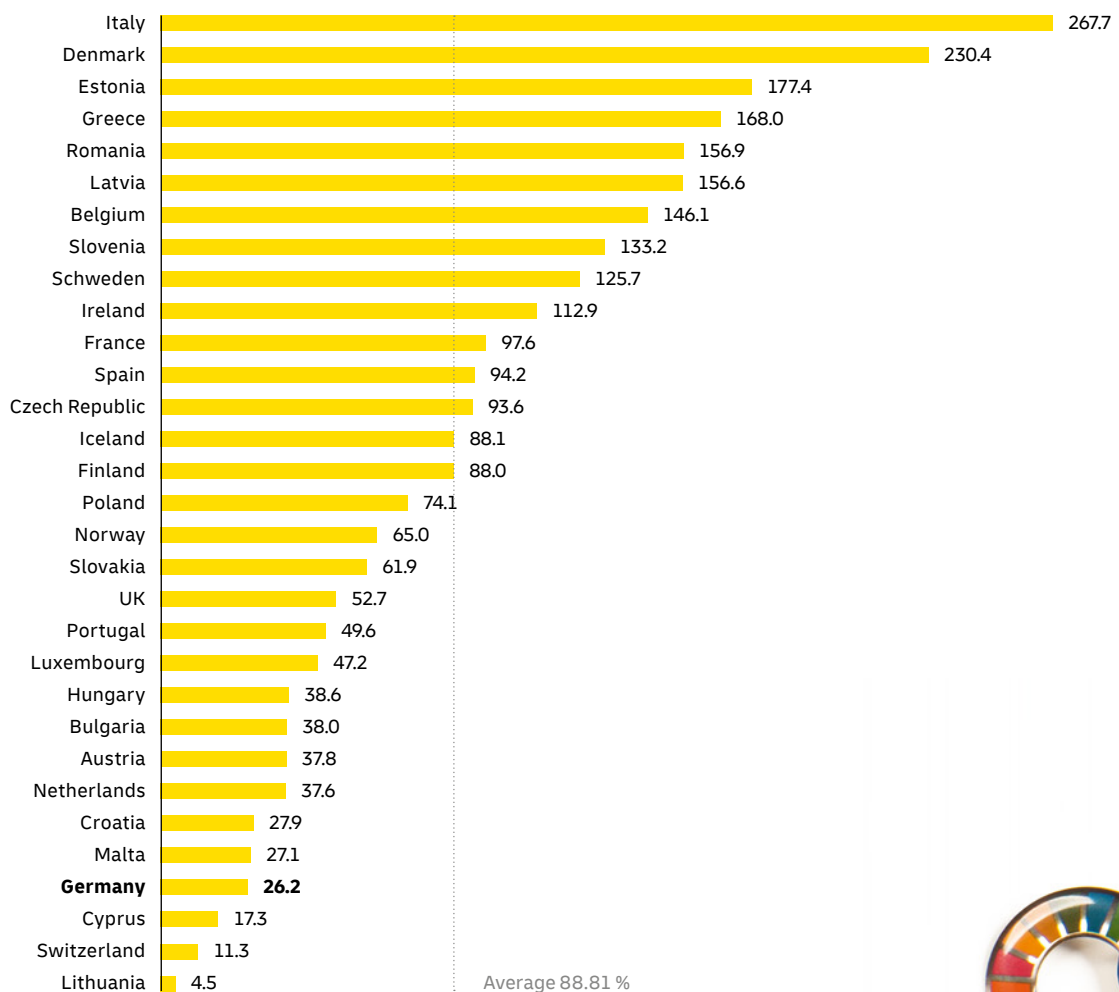
Germany is nearly at the bottom of this list with a distinctly below-average price increase of 26.2%. Taking monetary developments into account, the only countries recording lower letter price increases were Cyprus, Switzerland and Lithuania.





Inflation-adjusted change in letter prices 2013 – 2022

in %



5 Work in minutes per letter price

For the next perspective on letter prices, we calculated how long someone has to work in order to pay the price of a standard letter. This criterion is essential to get a realistic picture of how affordable postage rates actually are. The EU Postal Service Directive also calls for affordable prices in the context of the universal service obligation for postal services.

The calculation is based on the hourly wage of an industrial worker. Once again, the information on the hourly rates for workers in the manufacturing industry was provided by the German Economic Institute, and has served as a consistent and reliable data base for this part of the study. For the first time since 2018, this study has produced a value of over ten minutes.

In Latvia, people currently have to work more than 12 minutes to earn the cash equivalent of

the national standard postage rate. More than nine minutes of work are needed in Romania, Estonia and Greece and eight minutes in Italy.



Workers in Europe have to work an average of 4.7 minutes to earn enough to cover the postage rate of a standard letter, which is a bit longer than the previous year (4.43 minutes). With a value of 1.51 minutes, Germany is well below these figures, occupying second-to-last place in the table. At 1.5 minutes, Switzerland, by a very small margin, is the only country where less working time needs to be invested for the price of a letter.

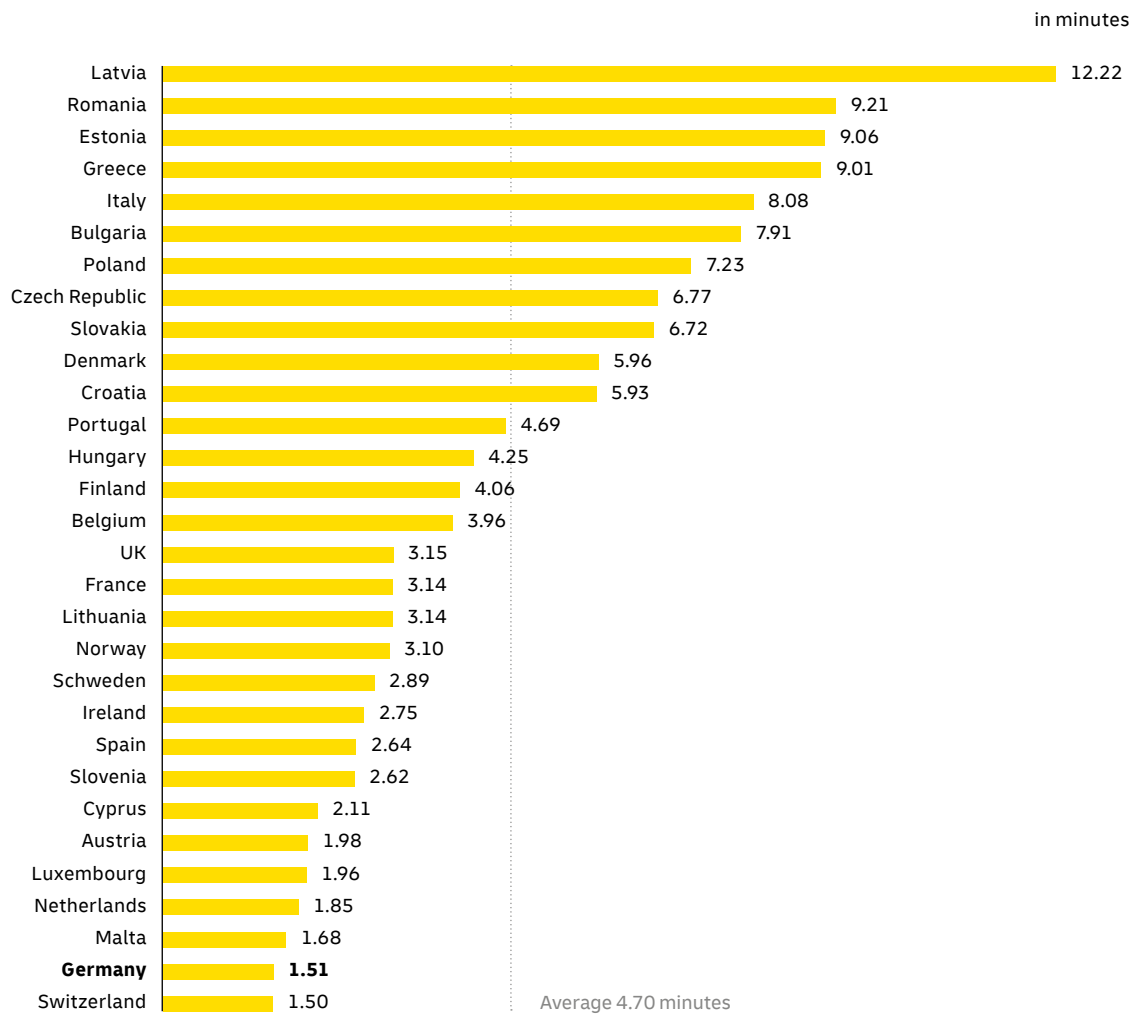


David Buckley



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Work in minutes per letter price



6 Adjustment for labor costs

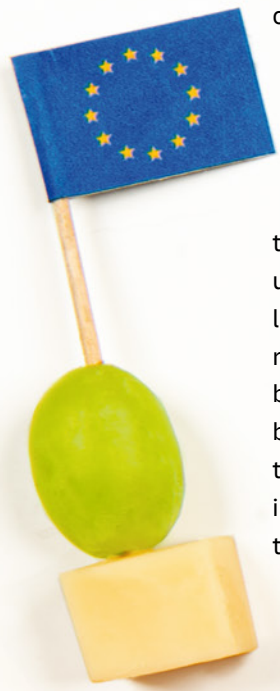
Mail delivery operations are particularly labor intensive compared to other sectors. This in turn is reflected in the high proportion of staff costs to overall costs. However, the cost of labor varies greatly from country to country, so that the individual postal service providers have to shoulder differing levels of costs. A comparison of high-wage economies like Germany with countries paying lower wages such as those in eastern Europe should therefore take account of the disparate labor costs.

The first step is to recognize that staff costs only comprise a certain percentage of the overall costs of mail transport. Correspondingly, only this proportion is factored into the cost adjustment, while the rest remains unaffected. For the adjustment, ratios are calculated using the labor costs for Germany and the respective countries, which are then multiplied by the share of the letter price accounted for by staff costs. Statistics on the cost of labor in the postal, courier, and express services sector in the countries surveyed can also be used in this context.

Heading the rankings of letter prices adjusted in this way is Denmark, with the equivalent of € 3.65. Last year's number one, Latvia, now occupies second place with a slightly lower value of € 3.49. This calculation produced a large increase for Romania. Last year's letter price adjusted for labor costs was € 2.17, but this year's € 2.99 has propelled it to third place.

There have been striking annual increases, too, in other countries including Belgium (by € 0.22 from € 1.86 to € 2.08) and Great Britain (by the equivalent of € 0.39 from € 1.05 to € 1.44). The letter price adjusted for labor costs has fallen significantly in places like Lithuania (by € 0.20 from € 1.30 to € 1.10). In France, too, there was a slight drop of eight euro cents, from € 1.35 to € 1.27.

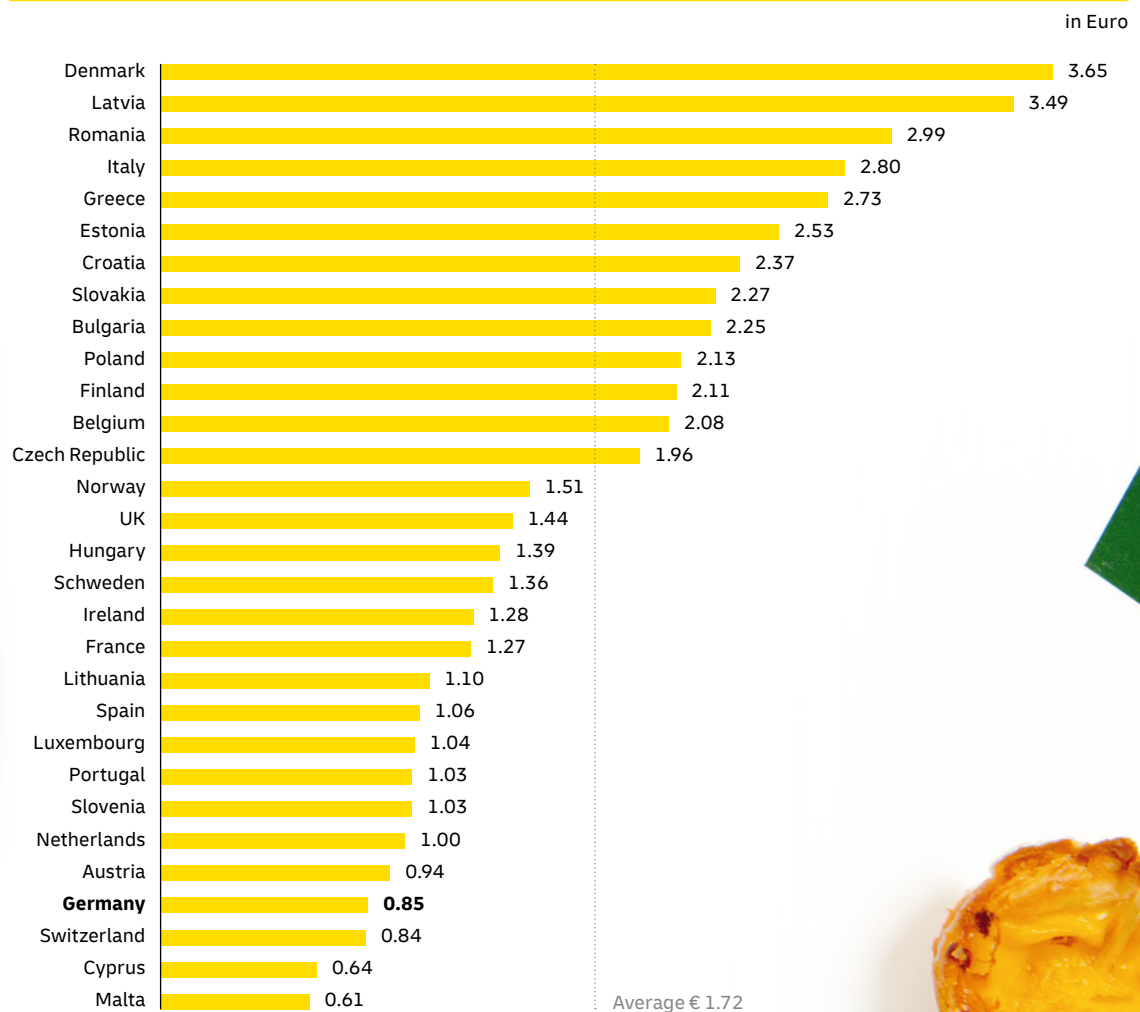
The average price in Europe, after adjusting for labor costs, is now € 1.72, which is two euro cents more than last year. Deutsche Post's rate of € 0.85 means that Germany is now a full € 0.87 below that value – from this perspective, the German letter price is therefore less than half the average. At present only the national postal service providers in Switzerland, Cyprus and Malta offer a lower letter price after adjusting for labor costs.



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Letter prices adjusted for labor costs



7 Adjustment for purchasing power differences



Income levels and social prosperity vary in European countries. As a result purchasing power also varies. These variations in turn are essential to answering the question of how affordable letter prices actually are in each country.

By taking purchasing power into account, the macro-economic conditions in the countries under review are also taken into consideration. Purchasing power parity therefore also compensates for the differences in price levels in each country which emerge when currencies are converted.

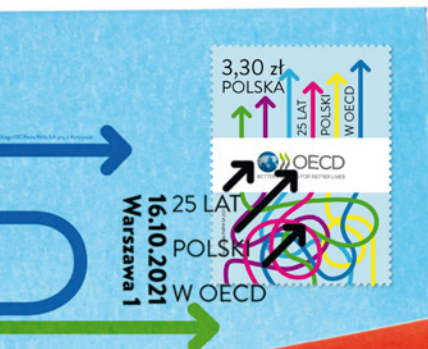
To factor in these purchasing power differentials, letter prices are divided by the countries' purchasing power relative to Germany.

This means that letter prices in countries with a relatively high purchasing power compared to Germany are cheaper and vice versa. The adjustment is based on purchasing power parities published by the EU statistical

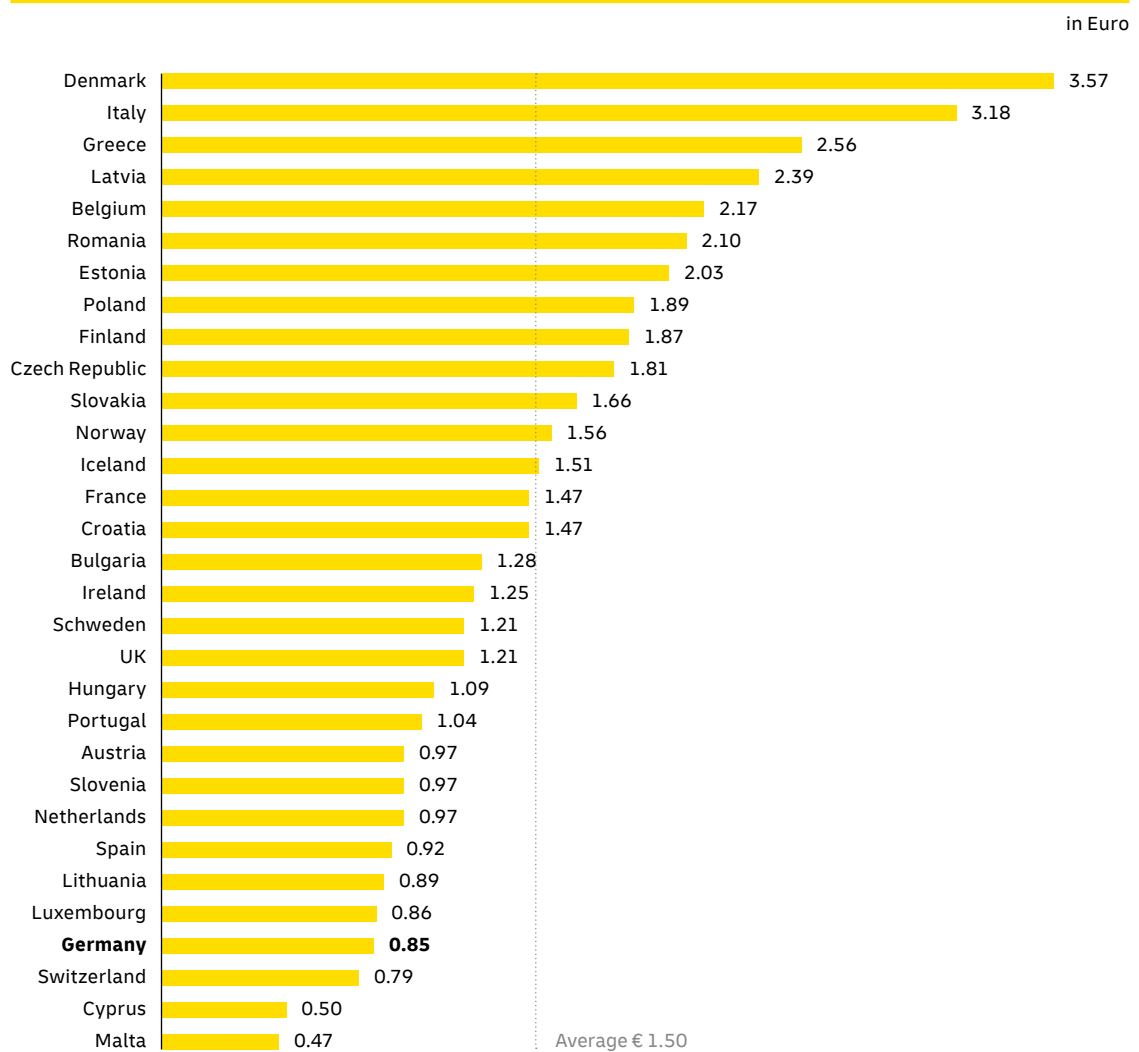
office, Eurostat. The comparative price levels are used as a basis and represent the actual price of the same representative basket of consumer goods and services in each country in a comparable currency unit.

The average price of a domestic standard letter in the 31 European countries surveyed, adjusted for purchasing power differences, is € 1.50, after € 1.40 last year. There are 18 countries lower than that, but 13 higher. Taking first place again this year is Denmark with € 3.57, compared to € 3.23 last year. There is no change in second place either. There, Italy's figure of € 3.18 is six euro cents more than 2022.

Latvia has jumped up in the rankings here as elsewhere, from fourth to eighth place. The letter price there after adjusting for purchasing power is € 2.39, compared to € 1.80 last year. Iceland has also moved up four places with a value of € 1.51, € 0.37 more than 2022. Belgium and the Czech Republic also recorded significant increases in the letter price after adjusting for purchasing



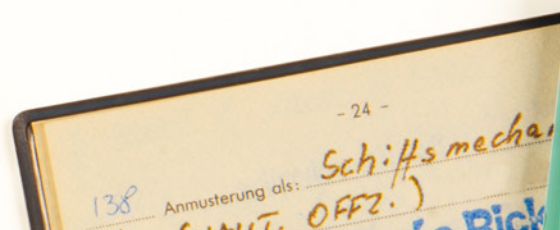
Letter prices adjusted for purchasing power differences,



power. In this calculation, the postage rate of the Belgian bpost is € 2.17, € 0.30 more than in the last study. And the letter price of Czech Post is now € 0.26 higher than last year, at € 1.81.

Moving four places down the table, on the other hand, is Croatia, even though the letter price after adjusting for purchasing power only fell by one euro cent from € 1.48 to € 1.47. Austria is now in position 22, five places higher than the last survey. The value in that country rose by € 0.15, from € 0.82 to € 0.97.

Germany is near the bottom of this table too, in 28th place. Deutsche Post's postage rate of € 0.85 is € 0.65 below the European average of letter prices after adjusting for purchasing power. From this perspective, the only cheaper countries are Switzerland, Cyprus and Malta.





8 Consolidated results

In this overview, the letter prices are adjusted for the macro-economic factors of both labor costs and purchasing power and are then consolidated into an overall result. By condensing the figures, we obtain a macro-economic indicator that conveys a lot of information.

The average European letter price adjusted in this way is € 1.61, or six euro cents higher than last year. Taking the lead again this year is Denmark with € 3.61, compared to € 3.33 in 2022. Italy and Latvia follow with values just below three euros.

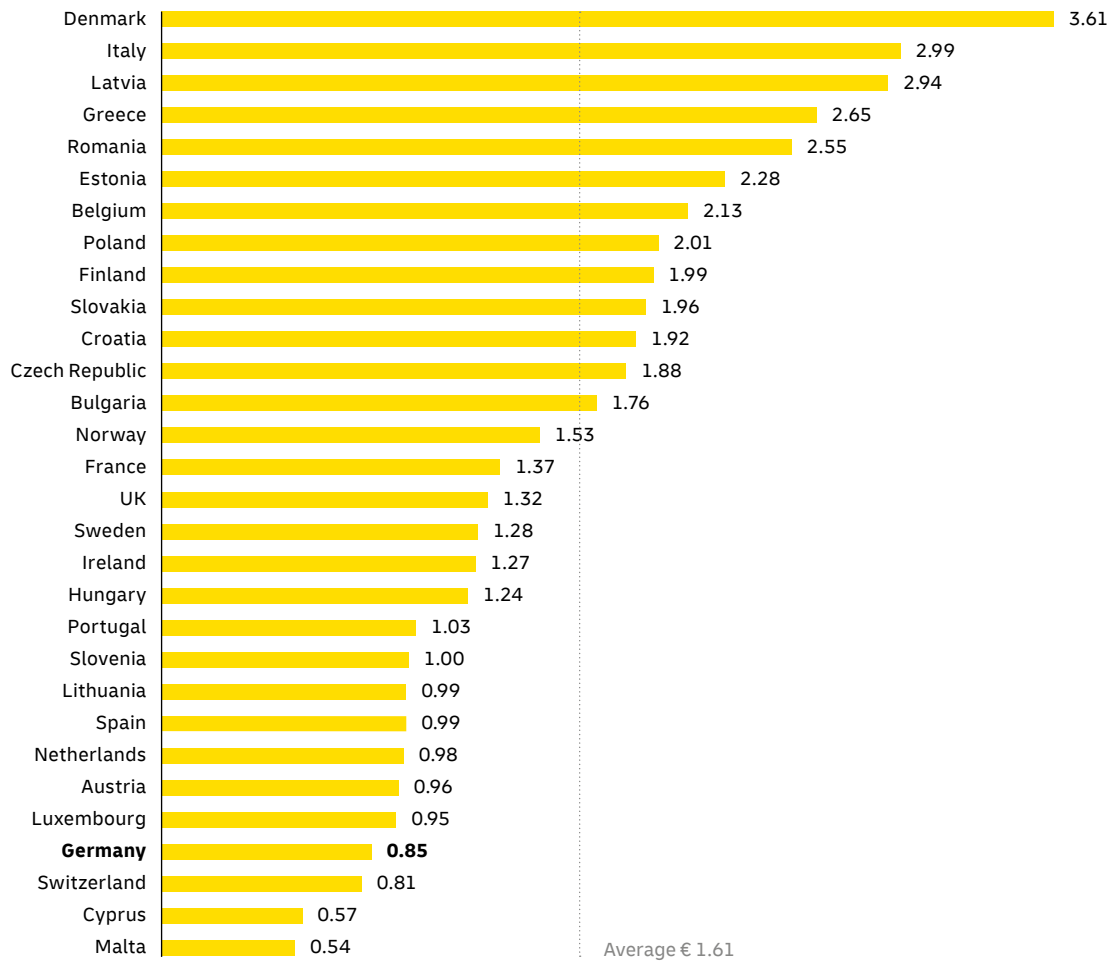
This calculation puts Germany in 28th place, which is two places better than last year. Only Switzerland, Cyprus and Malta have a lower consolidated letter price – 27 countries have postage rates higher than Germany after adjusting for labor costs and purchasing power differences.

Germany is therefore among the countries with the most affordable postage rates for letters in Europe. This only reinforces the central point of the study: with its standard letter priced at € 0.85, Deutsche Post offers excellent service at a very affordable price.



Consolidated overall results

in Euro



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April 2023