

## **“We’ve positioned ourselves well for the global e-commerce boom”**

**Deutsche Post DHL Group, the world’s leading logistics company posted profitable growth in the third quarter of 2020. Group revenue was up 4.4% on the prior year, and operating profit (EBIT) improved by nearly 50%. In an interview with DPDHL Group News, CEO Frank Appel explains why Deutsche Post DHL Group has been so successful and what the Group is doing to prepare for an exceptionally intense peak season.**

**DPDHL Group News: Mr. Appel, how would you rate Deutsche Post DHL Group’s performance in the third quarter of 2020?**

**Frank Appel:** We had a strong third quarter. The impressive business performance is clear evidence that we’ve positioned ourselves successfully to reap the global e-commerce boom. Our approximately 550,000 employees all over the world have worked tirelessly under challenging conditions to handle the global surge in customer activity. The energy in our organization has never been higher. This is also confirmed by this year’s worldwide employee opinion survey: even in these challenging times the main indicator, employee engagement, improved by 5 percentage points compared to the previous year. Our employees are the ones who make our success possible.

**DPDHL Group News: How was that success mirrored by your financials in the third quarter?**

**Frank Appel:** We were able to benefit from the dynamic growth in e-commerce both in our domestic and our international parcel businesses as well as in Express. Our shipment volumes were at a very high level. We posted one of the best quarters in company history with operating profit hitting nearly EUR 1.4 billion. The dynamic development in the third quarter not only shows how robust Deutsche Post DHL Group is positioned, but also how effective our Strategy 2025 has been. With its focus on our core logistics business, Strategy 2025 has more than proven itself in recent months. It keeps us on track and prepares us for future challenges such as the upcoming holiday season.

**DPDHL Group News: What will be especially important in this year’s pre-holiday season?**

**Frank Appel:** This year, we expect a surge in parcel volumes like we’ve never seen before. This means the fourth quarter will be exceptionally challenging for our employees. We want to ensure that our customers are able to rely on our usual high level of service quality, even in the face of unprecedented volumes. The investments we’ve made in recent years in new sorting facilities, in bigger and more efficient aircraft and in the latest IT systems are helping us to weather the storm. Even when things get intense once the holiday season is in full swing, this will not change our priorities, which places the health of our employees at the top of the list. For this, we are taking on the extra costs of providing them with the best possible protection and safety.

## **DPDHL Group News: Let's first take a look at Post & Parcel Germany. How did the division perform in the third quarter?**

**Frank Appel:** Post & Parcel Germany increased both revenue and operating profit compared with the previous year. The pandemic has reinforced the trend towards e-commerce, which did not abate even after stores reopened. In the third quarter, we delivered 11.6% more parcels in Germany than a year earlier. The trend is opposite in the Post business, where we observe a reluctance to buy dialogue marketing products, i.e. direct mail. Overall, however, the division had a good quarter.

## **DPDHL Group News: DHL Express is also going through unusual times...**

**Frank Appel:** Indeed. Our colleagues at Express had their hands full in the third quarter. Volumes were up significantly in all regions. Many passenger flights are still grounded. Air cargo space is accordingly in short supply, and demand is turning to dedicated logistics suppliers. Having our own fleet of aircraft in the Express division means that we are one of the few suppliers able to provide fast and reliable delivery service for customers. At present, our unique express network is very well utilized due to the dynamic development in all regions. This is shown by our operating margin, which reached a new record at over 15% in the third quarter. We expect Express to also see a particularly intense fourth quarter.

## **DPDHL Group News: What's the situation like at Global Forwarding, Freight?**

**Frank Appel:** Due to the pandemic global transport markets remain challenging. And it's not only air cargo capacity that's in short supply. Ocean freight capacity has also been scaled back further. The demand in B2B driven businesses has not yet recovered significantly. Volumes declined accordingly in the third quarter. Measured against available resources, however, we were able to source cargo capacity successfully for our customers and could thus further increase the division's revenue. Operating profit exceeded the prior-year level by 25%. In addition to our ability to respond flexibly to changing market conditions, we have benefitted enormously from the efficiency measures systematically implemented in recent years and the worldwide rollout of our new IT systems. DGFF's robust performance in these difficult times shows that we're on the right track here.

## **DPDHL Group News: How is business at DHL Supply Chain?**

**Frank Appel:** Of our five divisions, Supply Chain is the one that is most dependent on individual customers. Fortunately, business made a significant recovery in the third quarter following the lower customer activities during the lockdown in many countries during the second quarter. We're seeing a notable recovery in revenue with customers in heavily affected sectors like Retail or Engineering & Manufacturing. If we take the special bonus expenses out of the equation, then operating profit is

nearly at the prior-year level. We also have a good pipeline in terms of new business. For these reasons, we remain confident about Supply Chain's future.

**DPDHL Group News: How has the DHL division eCommerce Solutions fared?**

**Frank Appel:** We're also very pleased with the most recent addition to our DHL family. Our decision to enter the international parcel market proved to be right and has put us in a position to benefit from the e-commerce boom also outside of Germany. Business showed a dynamic development, and revenue and earnings registered significant gains in the third quarter. After successfully sharpening the focus of our international parcel activities on particularly profitable regions, we have put Deutsche Post DHL Group in an excellent position. Just under two years after it was launched, the division generated an operating margin of 6.3%. This way, eCommerce Solutions significantly contributed to the Group's success in the third quarter.

**DPDHL Group News: So on the whole it was a very good third quarter. What does that mean for the Group's full-year targets?**

**Frank Appel:** Despite the ongoing challenges all over the world, business was better than we were expecting back in spring and summer. That's why we raised our guidance for the current financial year when we presented our preliminary figures in October. We are now projecting an operating profit of between EUR 4.1 billion and EUR 4.4 billion for 2020. The cumulative figure after nine months is nearly EUR 2.9 billion. So we're confident about the final quarter of the year – despite rising infection rates in many regions of the world bringing a high degree of uncertainty to any planning.

**DPDHL Group News: Apart from the financial KPIs, Deutsche Post DHL Group has set ambitious goals for digitalization and sustainability. Where does the Group stand on this now?**

**Frank Appel:** We're making good progress. First of all, we're pushing forward with our digitalization initiatives throughout the Group. The pandemic is having a positive reinforcing effect in this respect. By 2025, we will have invested two billion euros in our digital future. We are already investing EUR 330 million in the digital transformation in the first year of Strategy 2025 in spite of Covid-19. Secondly, sustainability is moving even more into the center of our activities. For instance, just recently we launched our new, Group-wide sustainability initiative called GoTrade. GoTrade will give SMEs in developing countries access to global markets. In this project, we're cooperating with the Federal Ministry for Economic Cooperation and Development to make an important contribution to reaching the UN's sustainable development goals (SDGs).