

"Strongest opening quarter ever"

The world's leading logistics company Deutsche Post DHL Group has started 2021 with its strongest opening quarter ever. The company recorded an increase in revenue of 22 percent to EUR 18.9 billion. Operating profit (EBIT) more than tripled year-on-year to EUR 1.9 billion. The earnings forecast for 2021 and the medium-term guidance were raised. In an interview with DPDHL Group News, CFO Melanie Kreis talks about the dynamic performance in the first quarter of 2021 and why the Group expects to continue its profitable growth trajectory beyond 2021.

DPDHL Group News: Ms. Kreis, the Covid-19 pandemic has kept the world on its toes for more than a year. What have been the key elements of your successful start into the year in this environment?

Melanie Kreis: We had a very strong first quarter. Our 570,000 employees continue to work tirelessly, maintaining supply chains and delivering essential goods to people around the world. We distribute protective equipment, rapid tests and vaccines worldwide. For more than a year, we have been making a fundamental contribution to combating the pandemic and will continue to do so. Our business developed very dynamically in this environment. The ongoing boom in e-commerce is driving shipment volumes in the national and international parcel business, from which Express, eCommerce Solutions and Post & Parcel Germany were able to benefit. At the same time, our business grew thanks to a resurgence in business customer activities in Express and contract logistics as well as rising volumes in air and ocean freight.

DPDHL Group News: How is this success reflected in the figures?

Melanie Kreis: We achieved a significant improvement compared with the previous year. Revenue rose by 22 percent, or even by 26 percent after adjusting for exchange rate effects. We more than tripled our operating profit. All divisions are significantly up compared to the previous year. This shows: With our "Strategy 2025" we have focused on exactly the right growth drivers. Thanks to the consistent implementation of our strategy, we are able to handle the rapid growth in e-commerce while simultaneously enabling the recovery in the B2B business. Above all, we are able to meet the significant increase in demand with high service quality – and translate this into profit. Following the strong start into the year, we are more optimistic for the rest of the year.

DPDHL Group News: The good performance is also reflected in an exceptionally strong cash flow – that should make you particularly happy as CFO?

Melanie Kreis: This is further evidence of the Group's strong performance. In the past, free cash flow was always negative in the first quarter. This year we are positive for the first time – and at EUR 1.2 billion straight away. This was due to the positive earnings trend and a lower cash outflow from

changes in working capital. We have, therefore, also raised our free cash flow guidance. The stronger cash flow is an expression of our company's success and enables us to continue investing heavily in future profitable growth – in our networks, new aircrafts and digitalization. We are once again increasing our investments so that we can continue to optimally serve the growing shipment volumes in the future.

DPDHL Group News: What can shareholders look forward to?

Melanie Kreis: As announced, the Board of Management and Supervisory Board will propose a record dividend of EUR 1.35 per share at the Annual General Meeting on May 6. This corresponds to a payout ratio of just under 50 percent. In addition, in March we announced a share buyback program of up to EUR 1 billion that will run until spring 2022. In view of the good cash flow performance, we are optimistic that we will be able to generate surplus liquidity again this year. In fact, our shareholders can rely on our finance strategy, which we have been executing since 2010.

DPDHL Group News: Let's look at the divisions – how was the start to the year for DHL Express?

Melanie Kreis: Express reached a record result in the first quarter. Volumes in our core TDI product, time-definite international shipments, increased by 26 percent worldwide compared with the previous year. Our new Boeing-777 freighters came at the right time, with more to follow soon. We have also further expanded our network with strong partners. Among others, the holiday travel airline Condor is now flying cargo for Express as long as there is depressed demand in passenger travel due to Covid-19. The strong growth was also reflected in EBIT, which at EUR 961 million is significantly higher than the prior-year value. Express' EBIT margin reached an outstanding 17.5 percent.

DPDHL Group News: How has DHL Global Forwarding, Freight performed?

Melanie Kreis: The situation on the international transport markets remains challenging. Available capacities in air and ocean freight are limited, not least due to the shortage of containers. At the same time, we see that the recovery in world trade is driving demand and prices. With our intermodal transport solutions, we enable our customers to use flexible and less price-intensive combinations of road, air, sea and rail transportation. I am pleased to see that we were able to increase our transport volumes noticeably in the first quarter. At EUR 216 million, EBIT was significantly up on the prior year.

DPDHL Group News: What kind of developments do you see at DHL Supply Chain?

Melanie Kreis: In contract logistics, the positive trend seen at the end of the year continued in the first quarter. Supply Chain is back on track for growth. Our customer activities continued to grow, with revenue being organically 4.7 percent above the previous year. At the same time, we benefited from the fact that we pushed ahead with standardization and swiftly implemented cost-cutting measures last

year. We were thus able to significantly increase EBIT compared to the previous year to EUR 167 million. Our new business also continued to develop well, with revenue on an annualized basis of EUR 313 million. The development was driven by contract wins in the Life Sciences & Healthcare segment.

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

Melanie Kreis: Very encouraging, as shipment volumes increased significantly in all regions. We improved EBIT from EUR 6 million in the previous year to EUR 117 million. Two years after the start of the division, it can be said: It was the right decision to expand our parcel business to international markets many years ago, then to focus these activities in one division and put it on a profitable course. Now, we can efficiently utilize our infrastructure and achieve economies of scale. In the medium term, we had targeted an EBIT margin of 5 percent – which we clearly exceeded in the first quarter with 8.0 percent.

DPDHL Group News: What's happening in the German mail and parcel business? How do you assess the results in the first quarter?

Melanie Kreis: In the German parcel business we are experiencing continued strong momentum – both on the supply and demand side. High-street retail shopping continues to be restricted. In addition to the large companies, many local stores started doing e-commerce. At the same time, we see that the willingness of customers to shop online is continuing to grow – people of all ages are increasingly shopping online. Initial reservations by the elderly to shop online have been eliminated thanks to their positive experiences in adapting to new technology during the pandemic. As a result, we delivered 489 million parcels (+41.3 percent) in the first quarter – as many as in the fourth quarter of 2020. By contrast, volumes in the mail sector continued to decline more significantly compared to historic average, with a 9.5 percent drop. Overall, however, P&P's revenue in the first quarter was 15 percent higher than in the previous year, and EBIT was up even by 67 percent.

DPDHL Group News: Following the strong start to the year, you have raised the forecast for the current fiscal year. What was the decisive factor for the further improvement in the guidance?

Melanie Kreis: The boom in e-commerce that we saw last year continued in the first quarter. At the same time, world trade recovered rapidly, and economic recovery is looking increasingly robust. We successfully adapted our networks to the global increase in demand. The significantly higher shipment volumes and further progress in cost management allow us to achieve more efficient capacity utilization. For these reasons, we have raised our earnings forecast to more than EUR 6.7 billion.

DPDHL Group News: What does this mean for the Group's medium-term targets?

Melanie Kreis: The pandemic has accelerated the development of e-commerce by a few years. The markets are changing structurally. Many trends, especially the increased number of businesses with online shops and changing purchasing behavior, will continue. We expect to grow dynamically and profitably after Covid-19 and have adjusted our medium-term targets. We now forecast EBIT of more than EUR 7.0 billion in 2023. Cumulative free cash flow in the period 2021 to 2023 is now expected to be around EUR 9.0 billion. And we are also continuing to ramp up our strategic investments: We plan to invest around EUR 11.0 billion in our networks from 2021 to 2023. This will also enable us to optimally cater for further growing shipment volumes.