

“We look ahead in the best shape ever”

Deutsche Post DHL Group closed the year 2022 with another record thanks to its international DHL divisions. Revenue improved by 15.5 percent year on year to EUR 94.4 billion. Operating profit (EBIT) improved by 5.7 percent to EUR 8.4 billion. In an interview with DPDHL Group News, CEO Frank Appel talks about financial year 2022 and explains why the Group is very well positioned despite global economic uncertainties.

DPDHL Group News: Mr. Appel, how do you assess financial year 2022?

Frank Appel: It was a very successful year from which we as a Group emerge in the best possible shape. In times of war, inflation and energy crisis, that is a tremendous achievement by our employees and not something that can be taken for granted. These results were based on our well-balanced portfolio of logistics services and an efficient response to volatile external influencing factors. The outstanding drivers of our very good performance in 2022 were the international DHL divisions Global Forwarding, Freight, Supply Chain and Express. This shows us that we have set the right priorities with our “Strategy 2025” and that our focus on our profitable core business is paying off.

DPDHL Group News: You mention the “volatile times.” What is your outlook for the coming year?

Frank Appel: The strong earnings performance of the past two years is impressive evidence of the resilience of our business model in the face of economic challenges. Nevertheless, we are not completely immune against macroeconomic developments and felt the slowing global momentum already in the fourth quarter 2022. B2B volumes, for example, recorded a decline at the end of the year. Weaker demand further accelerated the easing of the international transport markets observed over the course of the year. At the same time, e-commerce normalized as expected. In addition, inflation weighed on consumer spending somewhat and led to a less pronounced peak season compared to the previous year. We were prepared for these developments and are further monitoring the situation very closely, while using well established levers. This means that we are keeping a close eye on our costs and ensuring disciplined yield and cash management.

DPDHL Group News: What does that mean in specific terms for the short- and medium-term earnings development of the Group?

Frank Appel: Due to the continuing uncertainty about the course of the economic recovery, we have again opted for a scenario-based EBIT guidance. We expect the first half of the year to be particularly challenging. The unanswered question is how long it will take for the global economic recovery to regain momentum. If this is the case around mid-year, we expect EBIT of around EUR 7.0 billion. In the worst case, there is no significant recovery in 2023. But even in this scenario we anticipate achieving EBIT of at

least EUR 6.0 billion. Consequently, we expect our 2023 EBIT to be within a corridor of EUR 6.0 to 7.0 billion. In the medium and long term, we remain convinced of our good prospects. We want to grow again until 2025 and own the best prerequisites to realize this. With our portfolio, we are ideally positioned for the coming economic upturn – whenever this will materialize –, structurally higher growth rates in e-commerce, and continued outsourcing of logistics solutions.

DPDHL Group News: You have repeatedly emphasized the benefits of globalization in the past. Following the developments of the past year, debates about de-globalization are becoming louder. Can you understand that?

Frank Appel: Developments in recent years, such as Brexit, COVID or the war in Ukraine, have raised awareness of national borders again. They are a cause for concern, providing breeding ground for increasing protectionism. It's not new for critics to question the globalized world per se. Nevertheless, I think it is wrong and dangerous. I am convinced that major challenges can only be overcome with globally united forces – the pandemic and the energy crisis have impressively demonstrated that. The most interconnected countries have best navigated the crisis – not those that isolate themselves. Probably we will see more diversified supply chains in the future. However, currently we are not observing any fundamental shift worldwide toward a more regionalized economy. The most important argument for me is still that globalization means peace. There is a proven link between growing trade relations and the decline in military activities over the past hundred years. Yet even a globalized world is not a perfect world. Future economic growth through free trade and globalization must be fairly distributed and inclusive – then everyone benefits, and the idea of a globalized world can be convincing. That's why we as a company put all our energy into connecting people and improving lives.

DPDHL Group News: Let us now look at the business areas. How do you assess the results of DHL Express in the past financial year?

Frank Appel: DHL Express again delivered very good results – despite strong headwinds e.g., caused by negative currency effects burdening our operating result. Shipment volumes have normalized. But at the same time, the weight per shipment has increased in the first nine months, which helps revenue. We have successfully cushioned the overall higher costs through our established pricing mechanisms. We thus achieved a very good EBIT margin of 14.6 percent for the year as a whole. And we continue to invest in profitable growth – the construction of the new DHL Express site at Munich Airport and the modernization of our fleet being just two examples. In January 2022, we ordered eight new Boeing 777 freighters and expanded our partnership with Singapore Airlines. This provides us with particularly sustainable capacity in the Asian region, which continues to grow. Speaking of non-financial goals: DHL Express once again tops the list of the “Great Place to Work” rankings. This is a great achievement for the management team.

DPDHL Group News: How was business for DHL Global Forwarding, Freight?

Frank Appel: It was another outstanding year for the division. Revenue and earnings jumped noticeably, due mainly to the exceptionally strong performance in the first three quarters. In addition to operational improvements, very high freight rates over the course of the year had a positive impact. Meanwhile the normalization of market dynamics is in full swing, meaning that the exceptionally strong earnings in 2022 are not suitable as a benchmark for the current year. Nevertheless, we are still well positioned. After all, the good development in the past year is not solely due to external factors. Operationally, we have reached a whole new level with our new transport management system and have become much more efficient. This accounted for an important part of the earnings growth. In addition, we have strengthened our high-margin core logistics business with the seamless integration of ocean freight forwarding specialist Hillebrand, thus also ensuring profitable growth in the long term. That is very much in the best interests of our shareholders and in line with our Strategy 2025.

DPDHL Group News: Was DHL Supply Chain able to match those good results?

Frank Appel: The division recorded its strongest new business ever. Reliable supply chains remained in enormous demand, with earnings correspondingly showing the same positive trajectory. The long-term contractual relationships make the division particularly resilient anyway. But we are not resting on our laurels. We have largely completed the standardization of our processes. Now we can automate more and more working steps and thus further scale the use of collaborative robots. This helps us to become even more efficient and attractive. In addition, we have created very good conditions for further growth in our international business. With the acquisition of the Glen Cameron Group, we have strengthened our presence in Australia nationwide. In India, we are investing EUR 500 million in the expansion of warehouse capacity, personnel and sustainable logistics solutions. And with our majority shareholding in the Dutch company Monta, we are accelerating international e-commerce growth. In short, we are very well positioned in all regions.

DPDHL Group News: Did DHL eCommerce Solutions continue to benefit from online trading and build on the previous year's growth?

Frank Appel: The division maintained revenues on the new level achieved in the previous year. On that basis, we want to grow determinedly. To this end, in 2022 we invested more than ever before, especially in Western and Eastern Europe. In the Netherlands, we aim to further expand our CO2-neutral last mile delivery. In Poland, we strengthened our network with the introduction of parcel lockers and recently inked a joint venture with Cainiao to accelerate out-of-home delivery. In the UK, we are investing over EUR 560 million in the e-commerce business. These include investments in vehicles with alternative drive systems and buildings adhering to the highest environmental standards. This enables us to respond specifically to the wishes of our customers. After all, our "Online Shopper Survey 2022" just revealed that the majority of consumers in Europe would like to see more sustainability in e-commerce.

Green e-commerce is thus right at the top of our agenda.

DPDHL Group News: How did the German mail and parcel business develop?

Frank Appel: The structural decline in letter volumes continued. Parcel volumes normalized as expected and only matched prior-year volumes in the second half of the year. Overall, the division's revenue and earnings are significantly below previous year. In addition to the decline in volumes, this is mainly because we were unable to pass on the inflation-related cost increases to our customers in the mail business. Alongside inflation, we are facing necessary investments in more sustainable logistics solutions and improved customer service. We also aim to be successful in our home market in the long term. To achieve this, we need to strike a balance between tangible wage increases and economic viability. Only together can we set the course for a successful transformation of our German Postal and Parcel business without endangering jobs in the long term. In addition, a sustainable amendment to the Postal Act is needed.

DPDHL Group News: The good result from the past financial year also had a positive impact on cash flow. What are you using the money for?

Frank Appel: Last year we invested EUR 4.1 billion in organic growth of our core business – more than ever before. In addition, we selectively strengthened our portfolio with acquisitions for which we paid EUR 1.5 billion. We financed all this from our own funds and, when also considering the acquisitions, still achieved free cash flow of EUR 3.1 billion. Our financial position and ability to pay dividends are therefore good. We will pay a total dividend of EUR 2.2 billion, subject to approval by our shareholders at the upcoming Annual General Meeting. We are also increasing our existing share buyback program by EUR 1.0 billion. The total volume will therefore increase up to EUR 3.0 billion until end of 2024.

DPDHL Group News: Sustainability is one of the focal points of your “Strategy 2025.” What progress did you make last year and what still lies in store?

Frank Appel: We have reached some important milestones: we now operate the world's largest fleet of e-commercial vehicles, with over 29,000 electric vehicles. We have also entered a pioneering collaboration with bp and Neste on the use of sustainable aviation fuels. Based on this, we can offer our customers, as the world's first express courier, to use sustainable aviation fuel to reduce emissions. That is an important signal for the entire aviation industry because the use of sustainable aviation fuels is currently one of the most important levers for reducing CO₂ emissions over the entire life cycle with the types of aircraft currently available. We are also very proud of two other achievements: the independent Science Based Targets initiative has confirmed that our climate targets reflect the current state of climate science. And we were able to increase the number of women in management positions in all divisions. However, the honest overall picture also includes the fact that the pandemic, the war in Ukraine and

supply difficulties required a great deal of attention – at times to the detriment of sustainability. We reduced our CO₂ emissions and were able realize decarbonization effects of 1 million metric tons of CO₂e, but we want and need to make even greater progress in this area. This urgently requires a greater range of sustainable solutions. Despite the challenging macroeconomic environment, we are sticking to our ambitious targets and continue to actively drive forward the green transformation.