

## **“We are ready for the upswing”**

**Despite a lack of recovery in the global economy and the ongoing normalization of world trade after the pandemic-related boom, the world’s leading logistics company DHL Group performed in line with expectations in the third quarter and proved its financial strength. With revenue of EUR 19.4 billion, the Group generated an operating profit (EBIT) of EUR 1.4 billion and free cash flow of EUR 1.1 billion. In an interview, CEO Tobias Meyer explains what the Group aims to achieve in the final quarter of 2023, what impact geopolitical crises have on DHL Group and why permanent cross-subsidization of Post & Parcel Germany is not possible.**

### **Mr. Meyer, how do you assess the business performance of DHL Group in the third quarter?**

**Tobias Meyer:** Given the global economic and geopolitical situation, we were unable to match the exceptional years of 2021 and 2022, but that was what we had expected. Nevertheless, we are still at a high level in terms of key performance indicators such as revenue, EBIT and free cash flow. We are on track to achieve our annual targets. It is now paying off that we adjusted to the increasing uncertainty at an early stage. Of course, we are keeping a close eye on our costs in the current market conditions. However, we are still investing in future growth. That way, we can use growth opportunities such as omnishoring and are well prepared for the moment when the world economy recovers. Our global network and balanced portfolio give us the flexibility and resilience to succeed even in a difficult market environment.

### **What does this mean for the fourth quarter?**

**Tobias Meyer:** After nine months, our operating profit is EUR 4.7 billion. I am therefore confident that we will meet our earnings forecast. How exactly the end of the year will develop depends on the pre-Christmas period. Traditionally, parcel and e-commerce volumes normally peak in November and December. In any case, thanks to investments in our global business and a highly motivated team, we are ready.

### **You addressed the geopolitical situation. What impact does the current conflict in the Middle East have on DHL Group?**

**Tobias Meyer:** First of all, our thoughts are with the people in that region – especially our approximately 1,000 employees in Israel. We are doing what we can to help them and their families as best we can during this difficult time. In addition, we strive to maintain the logistical infrastructure in and around Israel. We very much hope that a peaceful solution for the region can be found soon.

### **You have emphasized that DHL Group’s broad portfolio and international presence make the company resilient. What is the basis for this assessment?**

**Tobias Meyer:** We have vast experience in dealing with different economic cycles and crises around the world. Our global presence enables us to offset regional challenges to a certain extent or offer our customers solutions to new challenges. For example, many companies are currently looking for

additional logistics locations to strengthen and diversify their supply chains. We are investing in our network to make this omnishoring possible. In addition, the business models of the divisions are dependent to varying degrees on economic fluctuations. Take our supply chain business, for example. Earnings have actually increased. The weak market environment weighed on the other DHL divisions, but they still reported very respectable margins despite a decline in earnings. And despite the global economic adversity, we generated a free cash flow of EUR 1.1 billion. This gives us the strength to maintain our investment in future profitable growth even in a difficult environment.

**So, the year-on-year decline in the figures for the DHL Express, DHL Global Forwarding, Freight and DHL eCommerce divisions is not a concern for you?**

**Tobias Meyer:** No, we expected these developments based on the macroeconomic situation. At DHL Global Forwarding, Freight we are seeing a further normalization of freight rates. Earnings were also impacted by lower volumes and negative exchange rate effects. At DHL eCommerce and DHL Express in particular, we have invested in expanding our network. Volumes at Express are down because of weaker world trade. But that also means we have sufficient capacity to cope well with peak volumes in the fourth quarter. And we will be ready when world trade picks up again.

**Post & Parcel Germany is less dependent on world trade, but earnings here are also down. Why is that?**

**Tobias Meyer:** There are structural reasons for this, which have again become clearly visible in the third quarter. Letter volumes declined by 6.1 percent year-on-year. At the same time, our costs are rising – especially for energy and personnel. Yet we are not allowed to pass this cost increase in the letter post business on to customers. We cannot comprehend the Federal Network Agency's rejection of an early postage increase. It is becoming increasingly difficult to maintain universal service while making necessary investments in our infrastructure. We therefore welcome the debate on a new postal law. We need a contemporary regulatory framework that reflects people's changing communication behavior.

**You just spoke of respectable margins in the international DHL business. Doesn't this offset the declines in the domestic business?**

**Tobias Meyer:** The solidarity worldwide at DHL Group is impressive. If things are temporarily not going so well operationally in one area, it goes without saying that the other divisions lend a hand and help out. This was the case with Express Americas 15 years ago, and later with the difficult IT transition at Global Forwarding, Freight. At Post & Parcel, however, we don't have an operational problem but a structural one – and that requires a structural solution. Post & Parcel Germany did not contribute to our dividend in 2022 and it won't do so in 2023. Everything that is earned is used for investments in the business unit. We can go that far, but no further. In a privately owned company, each division must be able to structurally generate its investment funding. And that is our aim at Post & Parcel as well. That's why we need contemporary framework conditions and a new postal law.



**At the end of November, you will attend the UN Climate Change Conference COP28 in Dubai. Where does the Group stand in its ambitious plans for a green transformation?**

**Tobias Meyer:** Leading the logistics industry into a climate-neutral future is a Herculean task to which we, as the Group's management team, have given top priority. In addition to long-term decarbonization goals, what counts most is what we can do in the here and now – in a pragmatic and goal-oriented manner. For example, Post & Parcel already operates the largest fleet of e-vehicles in Germany with more than 25,000 electric delivery vans. At the same time, we are observing an increasing demand for our climate-neutral parcel and merchandise mail service GoGreen Plus. We see the greatest leverage in alternative aviation fuels for air freight. We have already signed several major partnerships and are supporting global investment in this area through our demand. However, large-scale production requires far more capital and huge investments.