

Deutsche Post DHL Group ends financial year 2016 with record earnings

- Group meets its guidance with operating profit of EUR 3.5 billion
- Q4 strongest operating quarter in company history¹
- Dividend increase to EUR 1.05 per share proposed
- Further EBIT increase to around EUR 3.75 billion forecast for 2017
- Carbon efficiency target for 2020 already met; new aim of zero emission logistics by 2050
- CEO Frank Appel: “2016 was a very successful year for us.”

Bonn, March 8, 2017: Deutsche Post DHL Group, the world’s leading mail and logistics company, concluded the 2016 financial year with record earnings¹. The Group’s operating profit climbed by 45% to EUR 3.5 billion, delivering the EBIT target for 2016. The Group’s fourth-quarter EBIT of EUR 1.111 billion represented operationally the best quarterly result in company history¹. Deutsche Post DHL Group had already posted record figures in the preceding quarters.

All four divisions contributed to the Group’s strong performance in 2016. The company continued to benefit from its outstanding market position in global growth segments – particularly in the e-commerce business. EBIT in the Post - eCommerce - Parcel (PeP) division increased to over EUR 1.4 billion compared with EUR 1.1 billion in the previous year. The DHL divisions generated operating profit of EUR 2.4 billion compared with EUR 1.7 billion in 2015. The positive earnings trend reflects strong business operations in all divisions as well as the absence of one-time charges incurred in the previous year.

“2016 was a very successful year for us. The company has never before achieved higher earnings in its current structure. We also invested substantially in all four divisions and made strong progress in the implementation of our Strategy 2020. Thanks to our targeted approach to e-commerce, the entire Group is benefiting increasingly from the dynamic international development in this segment. We are in an excellent position to maintain our profitable growth,” said Frank Appel, CEO of Deutsche Post DHL Group.

¹ based on the current company structure.

Outlook: Further improvement in earnings expected in 2017, targets for 2020 confirmed

The company anticipates only moderate growth in the world economy during the current year. Earnings are nonetheless expected to increase significantly based on additional operating improvements in the divisions. For **2017**, Deutsche Post DHL Group is projecting a rise in Group EBIT to around EUR 3.75 billion. The PeP division is expected to contribute approximately EUR 1.5 billion to this figure. For the DHL divisions, the company anticipates an EBIT contribution of around EUR 2.6 billion.

Deutsche Post DHL Group continues to expect operating profit to increase by an average of more than 8% annually during the period from 2013 to **2020** (CAGR). The DHL divisions are expected to contribute to the improvement with an average EBIT growth of 10% per year. At PeP, operating profit is forecast to increase by an average of around 3% per year.

Sustainability: Carbon efficiency target reached ahead of schedule; zero-emissions logistics aim announced for 2050

In 2008, Deutsche Post DHL Group set itself the Group-wide target of improving carbon efficiency by 30% – including transportation services provided by subcontractors – compared with 2007 levels, by the year 2020. The Group already reached that target in the last financial year.

In the future, the company will focus its activities even more intensively on emission-neutral logistics concepts. Deutsche Post DHL Group aims to achieve net zero logistics-related emissions by 2050. Up to 2025, four interim targets will be used to track progress with the implementation of the new target. For instance, the company intends to increase its carbon efficiency by 50% compared with the 2007 levels. Local air pollution emissions will be reduced by using environmentally-friendly pick-up and delivery solutions, including bicycle delivery and e-mobility options, for 70% of its own first and last mile services. The company also strives for more than 50% of sales to incorporate green logistics solutions. In addition, the Group will engage 80% of employees on environmental issues with special GoGreen training sessions and will collaborate with partners to plant one million trees each year.

Financial year 2016: Strong operating performance in all divisions

Group revenue fell by 3.2% year-on-year in 2016 to EUR 57.3 billion. In addition to negative currency effects and lower fuel surcharges due to falling oil prices, the decline reflects a change

in the recognition of revenue generated from a key customer contract in the Supply Chain division. Adjusted for these effects, Group revenue rose by 2.8% over the previous year. The German parcel business and the international express business continued to generate dynamic growth.

Group EBIT was EUR 3.5 billion in 2016, up 44.8% over the prior-year figure and within the target corridor of between EUR 3.4 and EUR 3.7 billion. The EBIT contribution of the Post - eCommerce - Parcel division was over EUR 1.4 billion (2015: EUR 1.1 billion). The DHL divisions generated operating profit of EUR 2.4 billion (2015: EUR 1.7 billion). Expenses for Corporate Center/Other were stable at EUR 359 million.

Due to one-off effects, the Group's tax rate fell as expected to 11.2% (2015: 16.4%). Consolidated net profit increased to EUR 2.6 billion (2015: EUR 1.5 billion). Basic earnings per share increased at a corresponding rate from EUR 1.27 in the previous year to EUR 2.19.

Dividend: Increase to EUR 1.05 per share proposed

In light of the Group's strong earnings performance, the Board of Management and the Supervisory Board will propose a dividend increase of 24% to EUR 1.05 per share at the Annual General Meeting on April 28, 2017. If approved by the shareholders, the total payout would be approximately EUR 1.27 billion, reflecting a payout ratio of 48%. This is within the range of 40% to 60% communicated by the company in 2010 as part of the finance strategy introduced at that time.

Capital expenditure: Group reinforces its foundation for growth with further significant investments

To further strengthen its foundation for long-term profitable growth, Deutsche Post DHL Group invested in all four divisions in 2016. Capital expenditure rose by 2.5% year-on-year to EUR 2.1 billion. The Group, for example, expanded the parcel infrastructure – mostly in Germany but also internationally. Additional focus areas were the modernization of the aircraft fleet and expansion of global and regional hubs of DHL Express. For 2017, Deutsche Post DHL Group plans to increase capital expenditure to around EUR 2.3 billion.

Cash flow performance impacted by pension funding

Operating cash flow dropped to EUR 2.4 billion in 2016 (2015: EUR 3.4 billion), and free cash flow declined to EUR 444 million (2015: EUR 1.7 billion). The decrease reflects the funding of pension obligations in the amount of EUR 1 billion. Excluding this factor, the free cash flow was EUR 1.4 billion. The Group met its target of at least covering the dividend of EUR 1.03 billion paid in 2016. For 2017, Deutsche Post DHL Group forecasts free cash flow of more than EUR 1.4 billion.

Post - eCommerce - Parcel: 1.2 billion shipments sets new parcel record in Germany

Revenue in the Post - eCommerce - Parcel division grew by 4.1% to EUR 16.8 billion. Adjusted for currency effects, revenue increased by 4.4% compared with the prior year. In addition to the postage stamp price increase implemented at the beginning of the year, the division's good performance was driven above all by volume and revenue increases in the eCommerce - Parcel business unit. EUR 7.1 billion of the division's revenue was generated by eCommerce - Parcel, which continued to see strong growth of 11.2% over the prior-year period. The increase was based on revenue gains of 10.1% for Parcel Germany, 15.1% for Parcel Europe and 12.5% for eCommerce. In Germany alone, the PeP division delivered more than 1.2 billion parcels in 2016 – an increase of 9.3% and a new record.

The increase is yet another indication of the Group's successful positioning in the dynamically growing e-commerce market, both in Germany and, to an increasing extent, internationally. In order to further build on its position, the Group continues to invest heavily in the development of its domestic and international parcel infrastructure. Last year, the company expanded its parcel and e-commerce activities to markets in the U.K., France, Hungary, Slovenia, Scandinavia, Finland and the Baltic states, and is now active in 21 European countries. In addition, e-commerce activities were stepped up outside of Europe, in part through logistics centers in the United States, Mexico and India and through last mile delivery in Thailand.

Revenue in the Post business unit was roughly level year-on-year at EUR 9.74 billion (2015: EUR 9.78 billion). The increase in letter postage prices at the beginning of the year almost fully offset the negative impact of the structural volume decline in the Mail Communication and Dialogue Marketing segments.

The positive business performance at PeP is also reflected in operating profit. The division increased EBIT by 30.8% to more than EUR 1.4 billion. It should be noted, however, that the

prior-year figure contained one-off charges associated in particular with the postal strike in Germany. Even after adjusting for this factor, however, the increase in earnings was substantial. Earnings were primarily fueled by persistent growth in the eCommerce and Parcel businesses, the increase in postage stamp prices and disciplined cost management. Investments in the international parcel business held back an even greater increase in EBIT.

Express: Further growth in revenue and earnings; margin rises to 11.0%

The Express division continued to perform well in terms of volumes, revenue and earnings in 2016. Revenue increased by 2.7% to EUR 14.0 billion. Growth in revenue was held back by negative currency effects and lower fuel surcharges. Excluding these effects, divisional revenue increased by 6.3%. The success of DHL Express was again mainly attributable to strong growth in time-definite international (TDI) shipments, reflecting a volume increase of 7.6%, coupled with effective yield management.

Divisional EBIT increased by 11.3% to EUR 1.5 billion. Driven by strong TDI growth, pricing initiatives and network enhancements, DHL Express succeeded in increasing its profitability to a new record level. The EBIT margin improved to 11.0% (2015: 10.2%).

Global Forwarding, Freight: Earnings continue on an upward trajectory

The Global Forwarding, Freight division made steady improvements in operating performance in 2016. Reported revenue declined by 7.7% to EUR 13.7 billion. Adjusted for negative currency effects and lower fuel surcharges, the decrease was only 2.4%. In the fourth quarter, the division registered a recovery in freight volumes. The upward trend was not reflected in revenue performance due to generally still low selling rates in air and ocean freight. At the same time, the Group experienced a substantial increase in buying rates, which had a negative impact on fourth-quarter gross profit.

In terms of operating profit, Global Forwarding, Freight made significant progress. EBIT improved from a loss of EUR 181 million in the previous year to EUR 287 million in 2016. The increase was aided by the absence of negative one-off effects recognized in 2015 in connection with the division's IT renewal. However, EBIT at Global Forwarding, Freight also grew substantially even after adjusting for these effects.

Supply Chain: New contracts worth EUR 1.5 billion concluded

Revenue in the Supply Chain division decreased by 11.6% to EUR 14.0 billion in 2016. After adjusting for negative currency effects, lower fuel surcharges and the effect of the change in revenue recognition in the fourth quarter of 2015 due to revised terms in the contract with the National Health Service (NHS), a major U.K. account, revenue increased by 2.5% over the previous year. Supply Chain continued to generate new business. The division concluded additional contracts with both new and existing customers amounting to EUR 1.5 billion, compared with EUR 1.35 billion in the previous year.

Operating profit in the Supply Chain division improved by 27.4% to EUR 572 million versus the preceding year. This strong growth was attributable largely to positive effects from the division's optimization program. The EBIT margin improved by 1.3 percentage points year-on-year to 4.1%, placing it within the target corridor of 4% to 5% for the first time.

Fourth quarter of 2016: Company again sets new earnings record

Deutsche Post DHL Group registered a slight increase in total Group revenue to EUR 15.4 billion in the fourth quarter (+0.5%). Excluding negative currency effects and lower fuel surcharges, Group revenue was up by 3.2% over the previous year.

Group EBIT increased by EUR 154 million in the final quarter to EUR 1.111 billion. This was the best quarterly operating result in the company's history². In the fourth quarter, consolidated net profit grew to EUR 841 million (2015: EUR 670 million), mainly due to the increase in EBIT. This equates to basic earnings per share of EUR 0.70 (2015: EUR 0.55).

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² based on the current company structure

Note to editors: An interview with CEO Frank Appel can be found at www.dpdhl.com. The Group's investor conference call will be webcast beginning at 2 p.m. (CET).

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Deutsche Post DHL Group is the world's leading mail and logistics company. The Group connects people and markets and is an enabler of global trade. It aspires to be the first choice for customers, employees and investors worldwide. The Group contributes to the world through responsible business practices, corporate citizenship and environmental activities. By the year 2050, Deutsche Post DHL Group aims to achieve zero emissions logistics.

Deutsche Post DHL Group is home to two strong brands: Deutsche Post is Europe's leading postal service provider. DHL offers a comprehensive range of international express, freight transport, and supply chain management services, as well as e-commerce logistics solutions. Deutsche Post DHL Group employs approximately 510,000 people in over 220 countries and territories worldwide. The Group generated revenues of more than 57 billion Euros in 2016.

Die Post für Deutschland. The logistics company for the world.

Group financial highlights for 2016

in EUR millions	2015	2016	Change in %
Revenues	59,230	57,334	-3.2
- of which international	41,737	39,424	-5.5
Profit from operating activities (EBIT)	2,411	3,491	44.8
Consolidated net profit ¹⁾	1,540	2,639	71.4
Basic earnings per share (in EUR)	1.27	2.19	72.4
Diluted earnings per share (in EUR)	1.22	2.10	72.1

Divisional revenues for 2016

in EUR millions	2015	Share of total revenues in %	2016	Share of total revenues in %	Change in %
Post - eCommerce - Parcel	16,131	27.2	16,797	29.3	4.1
Express	13,661	23.1	14,030	24.5	2.7
Global Forwarding, Freight	14,890	25.1	13,737	24.0	-7.7
Supply Chain	15,791	26.7	13,957	24.3	-11.6
Corporate Center/Other and consolidation	-1,243	n.a.	-1,187	n.a.	4.5
Group	59,230	100.0	57,334	100.0	-3.2

Divisional EBIT for 2016

in EUR millions	2015	2016	Change in %
Post - eCommerce - Parcel	1,103	1,443	30.8
DHL	1,659	2,407	45.1
- Express	1,391	1,548	11.3
- Global Forwarding, Freight	-181	287	>100
- Supply Chain	449	572	27.4
Corporate Center/Other and consolidation	-351	-359	-2.3
Group	2,411	3,491	44.8

¹⁾ After non-controlling interests.

Group financial highlights for the fourth quarter of 2016

in EUR millions	Q4 2015	Q4 2016	Change in %
Revenues	15,339	15,410	0.5
- of which international	10,484	10,520	0.3
Profit from operating activities (EBIT)	957	1,111	16.1
Consolidated net profit ¹⁾	670	841	25.5
Basic earnings per share (in EUR)	0.55	0.70	27.3
Diluted earnings per share (in EUR)	0.53	0.67	26.4

Divisional revenues in the fourth quarter of 2016

in EUR millions	Q4 2015	Share of total revenues in %	Q4 2016	Share of total revenues in %	Change in %
Post - eCommerce - Parcel	4,513	29.4	4,640	30.1	2.8
Express	3,638	23.7	3,830	24.9	5.3
Global Forwarding, Freight	3,736	24.4	3,623	23.5	-3.0
Supply Chain	3,799	24.8	3,607	23.4	-5.1
Corporate Center/Other and consolidation	-347	n.a.	-290	n.a.	16.4
Group	15,339	100.0	15,410	100.0	0.5

Divisional EBIT in the fourth quarter of 2016

in EUR millions	Q4 2015	Q4 2016	Change in %
Post - eCommerce - Parcel	487	489	0.4
DHL	595	746	25.4
- Express	319	435	36.4
- Global Forwarding, Freight	99	104	5.1
- Supply Chain	176	206	17.0
Corporate Center/Other and consolidation	-124	-123	0.8
Group	957	1,111	16.1

¹⁾ After non-controlling interests.