2020 HALF-YEAR REPORT

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Selected key figures

		H1 2019	H1 2020	+/–%	Q2 2019	Q2 2020	+/–%
Revenue	€m	30,833	31,446	2.0	15,480	15,959	3.1
Profit from operating activities (EBIT)	€m	1,928	1,504	–22.0	769	912	18.6
Return on sales[1]	%	6.3	4.8	–	5.0	5.7	–
EBIT after asset charge (EAC)	€m	637	163	–74.4	116	243	>100
Consolidated net profit for the period[2]	€m	1,204	826	–31.4	458	525	14.6
Free cash flow	€m	–803	196	>100	–547	605	>100
Net debt[3]	€m	13,367	13,512	1.1	–	–	–
Earnings per share[4]	€	0.98	0.67	–31.6	0.38	0.43	13.2
Number of employees[5]		540,779	540,184	–0.1	–	–	–

[1] EBIT/revenue. [2] After deduction of non-controlling interests. [3] Prior-period amount as at 31 December. [4] Basic earnings per share. [5] Headcount at the end of the reporting period, including trainees.

Deutsche Post DHL Group

GENERAL INFORMATION

Organisational changes

No material changes were made to the Group's organisational structure during the reporting period.

Research and development

As a service provider, Deutsche Post DHL Group does not engage in research and development activities in the narrower sense and therefore has no significant expenses to report in this connection.

REPORT ON ECONOMIC POSITION

Economic parameters

In the first half of 2020, the global COVID-19 pandemic pushed the world economy into a deep recession affecting advanced and emerging economies alike.

Initially, Asian economies were especially hard hit, due in part to faltering trade flows. China, however, experienced a notable upturn at mid-year, in contrast to Japan, where the pandemic broke out later and the economy is only now starting to recover.

In the United States, economic activity dropped 16% from early March to late April alone. May saw the start of a very tentative turnaround. The US Federal Reserve had already lowered its key interest rate to between 0% and 0.25% in March.

In the eurozone, economic activity also began declining sharply at the start of the second quarter, with both capital spending and private consumption plummeting. A variety of government assistance programmes were launched to stimulate demand and help businesses maintain their cash flows. In June, a feeble recovery set in. The European Central Bank kept the eurozone's key interest rate at 0.00%.

The German economy was heavily impacted by measures enacted to curb the spread of the pandemic as well as by the global recession and weak global trade. Demand slumped, in particular, in manufacturing and some service sectors. The economy improved notably in May and June and the ifo German Business Climate Index recently returned to its end-of-2019 level.

Significant events

Business in the first half of 2020 was heavily impacted by the pandemic. The end of the first quarter was overshadowed by the containment measures imposed in Europe and North America and an initial sharp decline in volumes transported. Volumes slowly recovered as the second quarter progressed, with shipments increasing substantially in some cases thanks to the surge in e-commerce. We describe the impact of the pandemic on our business units below. However, we have refrained from quantifying that impact unless it is possible to quantify it reliably.

At the end of February, the Board of Management decided to refocus StreetScooter upon operating its existing fleet and to discontinue the production of electric vehicles. The related charges amounted to €324 million in the first half of 2020.

In May, we issued three bonds with varying maturities and an aggregate principal amount of €2.25 billion.

Results of operations

Portfolio unchanged

There were no material changes in our portfolio in the reporting period.

Selected indicators for results of operations

		H1 2019	H1 2020	Q2 2019	Q2 2020
Revenue	€m	30,833	31,446	15,480	15,959
Profit from operating activities (EBIT)	€m	1,928	1,504	769	912
Return on sales[1]	%	6.3	4.8	5.0	5.7
EBIT after asset charge (EAC)	€m	637	163	116	243
Consolidated net profit for the period[2]	€m	1,204	826	458	525
Earnings per share[3]	€	0.98	0.67	0.38	0.43

[1] EBIT/revenue. [2] Net of non-controlling interests. [3] Basic earnings per share.

Increase in consolidated revenue

Consolidated revenue rose by 2.0% to €31,446 million in the first half of 2020, although currency effects reduced it by €194 million. The proportion of revenue generated abroad remained stable year-on-year at 69.8%. In the second quarter, revenue grew more sharply, by 3.1% to €15,959 million, which was also reduced by negative currency effects of €178 million.

In the previous year, income from the sale of the Supply Chain business in China drove up other operating income substantially, by €439 million; this figure dropped markedly in the reporting period, by €378 million to €971 million.

Depreciation, amortisation and impairment losses higher due to one-off effects

Primarily higher transport costs, especially in the Express division, increased materials expense by €314 million to €15,912 million. In contrast, lower jet fuel prices reduced this figure. At €10,952 million, staff costs exceeded the prior-year figure by €128 million. Depreciation, amortisation and impairment losses amounted to €1,963 million, up €162 million from the previous year. Increased investments in non-current assets contributed to this development. Other one-off effects also arose, including depreciation and impairment losses in connection with the realignment of StreetScooter totalling €78 million as well as non-recurring impairment losses of around €100 million resulting from lockdown measures mainly in the Supply Chain division and the write-off of the full value of an equity investment in the eCommerce Solutions division. Other operating expenses were €2,191 million, nearly unchanged from the prior-year level.

Consolidated EBIT down 22.0%

Consolidated EBIT decreased by 22.0% year-on-year to €1,504 million in the first half of 2020. The figure for the first quarter of 2019 included net income of €426 million from the sale of the Supply Chain business in China. EBIT for the second quarter improved by 18.6% compared with the previous year to €912 million, after totalling €592 million in the first quarter of the reporting period. At €306 million, net finance costs were similar to those in the previous year (€301 million). Profit before income taxes declined by €429 million to €1,198 million. Despite a higher tax rate, income taxes dropped by €70 million to €288 million.

Consolidated net profit well below prior-year figure

Consolidated net profit was down considerably on the prior-year figure (€1,269 million) at €910 million in the first half of 2020. Of this amount, €826 million was attributable to Deutsche Post AG shareholders and €84 million to non-controlling interest shareholders. Basic earnings per share fell from €0.98 to €0.67 and diluted earnings per share from €0.96 to €0.66.

Lower EBIT after asset charge

EAC was down from €637 million to €163 million in the first half of 2020, due primarily to the decrease in EBIT. The imputed asset charge increased only moderately over the prior-year period, in particular due to investments in property, plant and equipment in the Express division.

EBIT after asset charge (EAC)

€m

	H1 2019	H1 2020	+/–%
EBIT	1,928	1,504	–22.0
– Asset charge	–1,291	–1,341	–3.9
= **EAC**	**637**	**163**	**–74.4**

Financial position

Selected cash flow indicators

€m

	H1 2019	H1 2020	Q2 2019	Q2 2020
Cash and cash equivalents as at 30 June	2,220	4,569	2,220	4,569
Change in cash and cash equivalents	–851	1,766	–721	2,012
Net cash from operating activities	1,517	2,396	1,265	1,646
Net cash used in investing activities	–295	–1,655	–385	–1,114
Net cash used in/from financing activities	–2,073	1,025	–1,601	1,480

Increase in surplus cash and near-cash investments

The principles and aims of our financial management as presented in the 2019 Annual Report beginning on page 39 remain valid, and we continue to pursue them as part of our finance strategy.

The FFO to debt performance metric was up in the first half of 2020 compared with 31 December 2019 because funds from operations increased at a greater rate than debt. Funds from operations rose, mainly on account of an increase in operating cash flow before changes in working capital. Reported financial liabilities grew, due chiefly to the issuance of three bonds in May and higher lease liabilities. The adjustment for pensions rose due to lower plan assets, despite a decrease in pension obligations. Bond proceeds and positive free cash flow provided more surplus cash and near-cash investments in the first half of 2020.

FFO to debt

€m

	1 Jan. to 31 Dec. 2019	1 July 2019 to 30 June 2020
Operating cash flow before changes in working capital	6,045	6,641
+ Interest received	82	82
– Interest paid	608	595
+ Adjustment for pensions	190	143
= Funds from operations, FFO	**5,709**	**6,271**
Reported financial liabilities[1]	16,974	19,516
– Financial liabilities at fair value through profit or loss[1]	23	61
+ Adjustment for pensions[1]	4,872	5,246
– Surplus cash and near-cash investments[1,2]	1,916	4,359
= Debt	**19,907**	**20,342**
FFO to debt (%)	**28.7**	**30.8**

[1] As at 31 December 2019 and 30 June 2020, respectively.
[2] Reported cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

Our credit quality as rated by Fitch Ratings and Moody's Investors Service has not changed from the ratings described and projected in the 2019 Annual Report on page 42. In view of our solid liquidity, the five-year syndicated credit facility with a total volume of €2 billion was not drawn upon during the reporting period. On 30 June 2020, the Group had cash and cash equivalents of €4.6 billion.

Decrease in capital expenditure for assets acquired

Investments in property, plant and equipment, and intangible assets acquired (excluding goodwill) amounted to €935 million in the first half of 2020 (previous year: €1,718 million). The prior-year figure included higher advance payments for renewal of the intercontinental Express aircraft fleet. In this context, three aircraft were put into operation and their rights of use were activated during the reporting period. See notes 11 and 15 to the consolidated financial statements for a breakdown of capital expenditure (capex) into asset classes and by divisions and regions.

Higher operating cash flow

Net cash from operating activities increased by €879 million compared with the prior-year period, to €2,396 million in the first half of 2020. All non-cash income and expenses were adjusted based on EBIT. In the previous year, proceeds resulting from the sale of the Supply Chain business in China were shown in net cash from/used in investing activities. Provisions changed from €–122 million to €87 million. The previous year's figure included a non-cash reclassification of provisions for the early retirement programme in the Post & Parcel Germany division to liabilities. The change in working capital resulted in a net cash outflow of €915 million, well below that of the previous year (€–1,198 million).

Net cash used in investing activities increased considerably from €295 million to €1,655 million. In the previous year, the sale of the Supply Chain business in China generated net proceeds of €653 million, whereas the start of the renewal of the intercontinental Express aircraft fleet markedly increased cash paid to acquire property, plant and equipment and intangible assets. The purchase of money market funds, in particular, in the reporting period led to a cash outflow of €682 million from current financial assets. Mainly the sale of money market funds had led to a cash inflow of €780 million in the previous year.

Free cash flow improved significantly from €–803 million to €196 million, due primarily to a sharp rise in net cash from operating activities.

Net cash from financing activities amounted to €1,025 million in the reporting period, compared with a net cash outflow of €2,073 million in the previous year. In the first half of 2020, we issued three bonds in the aggregate amount of €2.2 billion and have not yet paid out the dividend for financial year 2019. The Annual General Meeting was postponed to 27 August 2020. Cash and cash equivalents rose from €2,862 million as at 31 December 2019 to €4,569 million.

Calculation of free cash flow

€m

	H1 2019	H1 2020	Q2 2019	Q2 2020
Net cash from operating activities	**1,517**	**2,396**	**1,265**	**1,646**
Sale of property, plant and equipment and intangible assets	89	42	41	16
Acquisition of property, plant and equipment and intangible assets	–1,863	–1,056	–1,229	–459
Cash outflow from change in property, plant and equipment and intangible assets	**–1,774**	**–1,014**	**–1,188**	**–443**
Disposals of subsidiaries and other business units	657	4	0	4
Acquisition of subsidiaries and other business units	–8	0	–8	0
Acquisition of investments accounted for using the equity method and other investments	–9	–13	0	–8
Cash inflow/outflow from acquisitions/divestitures	**640**	**–9**	**–8**	**–4**
Proceeds from lease receivables	13	12	6	6
Repayment of lease liabilities	–947	–950	–475	–468
Interest on lease liabilities	–204	–202	–103	–100
Cash outflow from leases	**–1,138**	**–1,140**	**–572**	**–562**
Interest received	37	37	21	19
Interest paid	–85	–74	–65	–51
Net interest paid	**–48**	**–37**	**–44**	**–32**
Free cash flow	**–803**	**196**	**–547**	**605**

Net assets

Selected indicators for net assets

		31 Dec. 2019	30 June 2020
Equity ratio	%	27.6	26.9
Net debt	€m	13,367	13,512
Net interest cover[1]		7.7	6.3
Net gearing	%	48.2	48.0

[1] In the first half-year.

Consolidated total assets up

The Group's total assets amounted to €54,400 million as at 30 June 2020, €2,231 million higher than at 31 December 2019 (€52,169 million).

Non-current assets declined from €37,117 million to €36,724 million. Intangible assets decreased by €163 million to €11,824 million, primarily on account of exchange rate changes. Other non-current assets were €141 million lower at €254 million, due mainly to actuarial losses that reduced pension assets. Current assets rose by €2,624 million to €17,676 million, chiefly because cash and cash equivalents increased by €1,707 million to €4,569 million. Current financial assets were also up substantially, from €394 million to €1,087 million, due to investments in money market funds. Other current assets rose by €486 million to €3,084 million. This figure includes the deferred expense of €188 million at the reporting date that was recognised for the prepaid annual contribution to civil servant pensions to the *Bundesanstalt für Post und Telekommunikation*. In contrast, trade receivables declined by €269 million to €8,292 million.

At €14,286 million, equity attributable to Deutsche Post AG shareholders was higher than at 31 December 2019 (€14,117 million). Consolidated net profit for the period increased this figure, whilst actuarial losses from pension obligations and currency effects decreased it. Provisions for pensions and similar obligations were up by €228 million to €5,330 million. Financial liabilities increased from €16,974 million to €19,516 million, due chiefly to the bonds issued in May. Trade payables, on the other hand, decreased significantly from €7,225 million to €6,209 million as at the reporting date.

Net debt totals €13,512 million

Our net debt rose from €13,367 million as at 31 December 2019 to €13,512 million as at 30 June 2020. At 26.9%, the equity ratio was lower than the figure as at 31 December 2019 (27.6%). Net interest cover dropped from 7.7 to 6.3. Net gearing was 48.0% as at 30 June 2020.

Net debt

€m

	31 Dec. 2019	30 June 2020
Non-current financial liabilities	13,708	15,901
+ Current financial liabilities	2,916	3,267
= **Financial liabilities**[1]	**16,624**	**19,168**
– Cash and cash equivalents	2,862	4,569
– Current financial assets	394	1,087
– Positive fair value of non-current financial derivatives[2]	1	0
= **Financial assets**	**3,257**	**5,656**
Net debt	**13,367**	**13,512**

[1] Less operating financial liabilities.
[2] Recognised in non-current financial assets in the balance sheet.

Divisions

POST & PARCEL GERMANY DIVISION

Key figures, Post & Parcel Germany

€m	H1 2019 adjusted[1]	H1 2020	+/– %	Q2 2019 adjusted[1]	Q2 2020	+/– %
Revenue	7,439	7,837	5.4	3,625	3,878	7.0
of which Post Germany	3,989	3,925	–1.6	1,912	1,800	–5.9
Parcel Germany	2,300	2,738	19.0	1,155	1,480	28.1
International	1,080	1,111	2.9	526	571	8.6
Other/Consolidation	70	63	–10.0	32	27	–15.6
Profit from operating activities (EBIT)	404	598	48.0	177	264	49.2
Return on sales (%)[2]	5.4	7.6	–	4.9	6.8	–
Operating cash flow	120	685	>100	273	456	67.0

[1] Reported figures adjusted to reflect new product structure and reclassifications.
[2] EBIT/revenue.

Revenue surpasses prior-year level

Division revenue was up 5.4% year-on-year to €7,837 million in the first half of 2020. The increase was driven in particular by growth in the German parcel business, in addition to the impact of an additional 0.6 working days compared with the prior-year period. Revenue for the second quarter was up 7.0% versus the prior year.

The reporting structure of the division has been modified compared with that in the **2019 Annual Report**, with revenues from transporting documents and goods across Germany's borders now presented as International.

Performance varies between the different business units

In the letter mail business, volumes were within the expected range until the middle of March, after which the decline accelerated due to the pandemic. Mail Communication revenue improved in the first half of 2020 due to the previous year's postage rate increase and the transfer of revenue generated from non-promotional bulk mail items from Dialogue Marketing to Mail Communication.

In contrast, Dialogue Marketing registered significant declines in both addressed and unaddressed mail. The downturn was attributable to pandemic-related revenue losses and cuts in advertising budgets occurring since the middle of March.

The German parcel business saw moderate growth in volumes until the end of March, as expected. Starting at the end of March, volumes were up significantly year-on-year in the wake of the pandemic-related restrictions imposed in the middle of March by the German government, particularly for retail sale. Volumes continued growing until the end of June, even after retail businesses gradually began reopening. Supported by price increases, the higher volumes led to revenue growth of 19.0% in the first half of 2020.

Imports were heavily impacted by declining volumes coming from China during the reporting period, although significant decreases in European imports were also recorded due to pandemic-related restrictions. Trends varied as regards exports of goods and documents to the rest of Europe and the world. The decline in document exports accelerated, whereas the number of shipments containing merchandise increased to a level commensurate with Germany, especially in our European target markets.

Post & Parcel Germany: revenue

€m	H1 2019 adjusted[1]	H1 2020	+/– %	Q2 2019 adjusted[1]	Q2 2020	+/– %
Post Germany	3,989	3,925	–1.6	1,912	1,800	–5.9
of which Mail Communication	2,543	2,721	7.0	1,205	1,258	4.4
Dialogue Marketing	1,052	853	–18.9	507	370	–27.0
Other/Consolidation (Post Germany)	394	351	–10.9	200	172	–14.0
Parcel Germany	2,300	2,738	19.0	1,155	1,480	28.1

[1] Reported figures adjusted to reflect new product structure and reclassifications.

Post & Parcel Germany: volumes

Mail items (millions)	H1 2019 adjusted[1]	H1 2020	+/– %	Q2 2019 adjusted[1]	Q2 2020	+/– %
Post Germany	7,842	6,923	–11.7	3,717	3,077	–17.2
of which Mail Communication	3,190	3,177	–0.4	1,455	1,411	–3.0
Dialogue Marketing	4,014	3,242	–19.2	1,934	1,408	–27.2
Parcel Germany	667	749	12.3	332	403	21.4

[1] Reported figures adjusted to reflect new product structure and reclassifications.

EBIT improves in the first half of the year

Division EBIT surged 48.0% in the first half of 2020 to reach €598 million. The increase was predominantly attributable to higher revenues in the German parcel business, the postage increase effective as of 1 July 2019 and strict cost management. By contrast, revenue losses were registered in other areas such as Dialogue Marketing. Division EBIT climbed 49.2% to €264 million in the second quarter of 2020.

EXPRESS DIVISION

Key figures, Express

€m

	H1 2019	H1 2020	+/–%	Q2 2019	Q2 2020	+/–%
Revenue	8,211	8,667	5.6	4,240	4,517	6.5
of which Europe	3,696	3,674	–0.6	1,887	1,799	–4.7
Americas	1,703	1,814	6.5	885	905	2.3
Asia Pacific	2,913	3,270	12.3	1,533	1,808	17.9
MEA (Middle East and Africa)	603	587	–2.7	309	273	–11.7
Consolidation/Other	–704	–678	3.7	–374	–268	28.3
Profit from operating activities (EBIT)	974	958	–1.6	521	565	8.4
Return on sales (%)[1]	11.9	11.1	–	12.3	12.5	–
Operating cash flow	1,423	1,735	21.9	766	1,052	37.3

[1] EBIT/revenue.

Express: revenue by product

€m per day[1]

	H1 2019	H1 2020	+/–%	Q2 2019	Q2 2020	+/–%
Time Definite International (TDI)	50.2	52.1	3.8	52.5	54.2	3.2
Time Definite Domestic (TDD)	4.7	5.0	6.4	4.8	5.1	6.3

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

Express: volume by product

Items per day (thousands)

	H1 2019	H1 2020	+/–%	Q2 2019	Q2 2020	+/–%
Time Definite International (TDI)	988	990	0.2	1,027	1,025	–0.2
Time Definite Domestic (TDD)	516	578	12.0	532	623	17.1

International revenues expand

Revenue in the division increased by 5.6% to €8,667 million in the first half of 2020. This figure includes currency losses of €62 million. Excluding these losses, the increase in revenue was 6.3%. The revenue figure also reflects the fact that fuel surcharges were lower than in the previous year in all regions. Adjusted for currency effects and fuel surcharges, first-half revenue was up by 7.1%.

At the start of the second quarter, the international express business was still being impacted by pandemic containment measures in effect in Europe and North America and initially strongly declining shipment volumes. Volumes began to recover gradually as the second quarter progressed.

Per-day revenues and shipment volumes were up in both of our product lines during the first half of the year.

Revenue declines in Europe region

Revenue in the Europe region was down 0.6% to €3,674 million in the first half of 2020. That figure includes foreign currency losses of €21 million. Excluding currency losses, revenue was virtually unchanged from the prior year. In the TDI product line, per-day revenues were down by 2.7% and per-day shipment volumes by 0.9%. In the second quarter of 2020, international revenues per day declined by 7.4% and per-day shipment volumes by 3.2%.

TDI volumes up in Americas region

In the Americas region, revenue increased by 6.5% to €1,814 million in the first half of 2020. Excluding currency losses of €41 million, revenue rose by 8.9%. Per-day TDI volumes were up 2.6% over the previous year. Per-day revenues grew by 0.5%. In the second quarter of 2020, shipment volumes declined by 2.7% and international per-day revenues dropped 4.5%.

Operating business in the Asia Pacific region registers strong growth

In the Asia Pacific region, revenue improved by 12.3% to €3,270 million in the first half of the year. Adjusted for currency losses of €8 million contained in that figure, the revenue increase came to 12.5%. In the TDI product line, per-day revenues rose by 13.5% and per-day volumes were up 4.3%. The corresponding figures for the second quarter of 2020 were 19.9% and 8.9%, respectively.

Revenue declines in MEA region

Revenue in the MEA (Middle East and Africa) region declined by 2.7% to €587 million in the first half of the year, with no impact from currency effects. Per-day TDI revenues decreased by 5.4%, and per-day volumes fell 18.2%. In the second quarter of 2020, international revenues per day declined by 14.1% and per-day shipment volumes by 19.6%.

Second-quarter EBIT exceeds prior-year level

In the first half of 2020, division EBIT decreased by 1.6% to €958 million. EBIT for the second quarter improved by 8.4% to €565 million.

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures, Global Forwarding, Freight

€m

	H1 2019	H1 2020	+/– %	Q2 2019	Q2 2020	+/– %
Revenue	7,558	7,772	2.8	3,796	4,164	9.7
of which Global Forwarding	5,311	5,715	7.6	2,673	3,190	19.3
Freight	2,315	2,114	–8.7	1,158	1,003	–13.4
Consolidation/Other	–68	–57	16.2	–35	–29	17.1
Profit/loss from operating activities (EBIT)	224	263	17.4	124	190	53.2
Return on sales (%)[1]	3.0	3.4	–	3.3	4.6	–
Operating cash flow	240	–41	<–100.0	188	51	–72.9

[1] EBIT/revenue.

Revenue performs well despite the pandemic

Revenue in the division increased by 2.8% to €7,772 million in the first half of 2020. Excluding negative currency effects of €75 million, the year-on-year revenue increase came to 3.8%. Revenue for the second quarter of 2020 rose by 9.7% compared with the second quarter of 2019. In the Global Forwarding business unit, revenue for the first half of the year was up 7.6% to €5,715 million. Excluding negative currency effects of €65 million, the increase was 8.8%. At €1,269 million, gross profit in the Global Forwarding business unit was likewise up on the prior year (€1,239 million).

Global Forwarding: revenue

€m

	H1 2019	H1 2020	+/– %	Q2 2019	Q2 2020	+/– %
Air freight	2,362	2,975	26.0	1,160	1,820	56.9
Ocean freight	1,816	1,676	–7.7	929	844	–9.1
Other	1,133	1,064	–6.1	584	526	–9.9
Total	**5,311**	**5,715**	**7.6**	**2,673**	**3,190**	**19.3**

Global Forwarding: volumes

Thousands

		H1 2019	H1 2020	+/– %	Q2 2019	Q2 2020	+/– %
Air freight	tonnes	1,775	1,556	–12.3	888	764	–14.0
of which exports	tonnes	997	881	–11.6	502	433	–13.7
Ocean freight	TEU[1]	1,565	1,363	–12.9	813	654	–19.6

[1] Twenty-foot equivalent units.

Higher gross profit in air freight

We registered a decline of 12.3% in air freight volumes in the first half of 2020, due mainly to the worldwide decrease in market volumes as a result of the pandemic. Trade lanes to China and transatlantic goods transports were especially impacted. Air freight revenues nonetheless saw an increase of 26.0% on the prior-year level during the reporting period, due to extreme shortages of transport capacity. Gross profit improved by 22.3%. In the second quarter of 2020, air freight revenue rose significantly (+56.9%), whilst gross profit was up 42.4%. In addition to a central system for sourcing air freight capacity, further improvements to our global infrastructure contributed to the revenue increase.

Ocean freight volumes were down 12.9% in the first half of 2020, likewise due to the pandemic. Ocean freight revenues fell by 7.7% and gross profit by 10.7%. The corresponding declines for the second quarter of 2020 were 9.1% and 15.3%, respectively. The share of revenue related to industrial project business and reported under Other dropped below the prior-year level to 31.6% (previous year: 34.1%). Gross profit for industrial project business decreased by 10.1%.

Lower revenue from European overland transport business

Revenue in the Freight business unit decreased by 8.7% to €2,114 million in the first half of 2020, due in part to foreign currency losses of €11 million. The slight volume decrease of 0.9% was driven primarily by the pandemic situation in Europe. The business unit's gross profit declined by 5.5% to €552 million. Revenue for the second quarter fell by 13.4% year-on-year and volumes were down 3.3%.

Earnings improve despite lower volumes

Division EBIT rose from €224 million to €263 million in the first half of 2020, despite lower volumes. Earnings benefitted primarily from a central procurement system for freight capacity as well as further improvements to the global infrastructure for air freight operations. Second-quarter EBIT increased from €124 million to €190 million.

SUPPLY CHAIN DIVISION

Key figures, Supply Chain

€m	H1 2019 adjusted[1]	H1 2020	+/–%	Q2 2019 adjusted[1]	Q2 2020	+/–%
Revenue	6,566	5,959	–9.2	3,274	2,730	–16.6
of which EMEA (Europe, Middle East and Africa)	3,363	2,915	–13.3	1,649	1,272	–22.9
Americas	2,212	2,186	–1.2	1,149	1,042	–9.3
Asia Pacific	1,003	868	–13.5	482	420	–12.9
Consolidation/Other	–12	–10	16.7	–6	–4	33.3
Profit from operating activities (EBIT)	573	140	–75.6	87	35	–59.8
Return on sales (%)[2]	8.7	2.3	–	2.7	1.3	–
Operating cash flow	157	89	–43.3	244	118	–51.6

[1] Prior-year figures adjusted due to reclassifications, as described in note 15 to the consolidated financial statements.
[2] EBIT/revenue.

Revenue growth still impacted by the pandemic

Revenue for the first half of 2020 dropped 9.2% to €5,959 million in the division due to business disposals and temporary, pandemic-related location closures and currency losses of €62 million. In the second quarter revenue fell by 16.6% to €2,730 million.

Growth in the retail sector in the Americas region, driven in part by e-commerce transactions, was unable to compensate for volume declines in other sectors such as auto-mobility.

Supply Chain: Revenue by sector and region, H1 2020

Total revenue: €5,959 million

of which Retail	28%
Consumer	24%
Auto-mobility	14%
Technology	13%
Life Sciences & Healthcare	10%
Engineering & Manufacturing	6%
Others	5%
of which Europe/Middle East/Africa/Consolidation	48%
Americas	37%
Asia Pacific	15%

New business worth around €437 million secured

In the first half of 2020, the division concluded additional contracts worth around €437 million in annualised revenue with both new and existing customers. The retail, consumer and auto-mobility sectors accounted for the majority of the new business. The annualised contract renewal rate remained at a consistently high level.

Earnings decline due to extraordinary expenses arising from the lockdown

Division EBIT declined to €140 million in the first half of 2020 (previous year: €573 million). The corresponding figure for the first half of 2019 was impacted by income from the sale of our business in China (€426 million net) and strategic cost initiatives (€111 million). In addition to the other effects of the pandemic, the first half of 2020 was affected by extraordinary expenses of €62 million resulting from lockdown measures. EBIT for the Supply Chain division was €35 million in the second quarter of 2020 (previous year: €87 million).

ECOMMERCE SOLUTIONS DIVISION

Key figures, eCommerce Solutions

€m

	H1 2019	H1 2020	+/– %	Q2 2019	Q2 2020	+/– %
Revenue	1,994	2,158	8.2	995	1,162	16.8
of which Americas	561	702	25.1	278	405	45.7
Europe	1,155	1,208	4.6	576	638	10.8
Asia	279	251	–10.0	140	120	–14.3
Other/Consolidation	–1	–3	<–100	1	–1	<–100
Profit/loss from operating activities (EBIT)	–46	7	>100	–18	1	>100
Return on sales (%)[1]	–2.3	0.3	–	–1.8	0.1	–
Operating cash flow	48	173	>100	27	88	>100

[1] EBIT/revenue.

Revenue increases in the first half of the year
The division generated revenue of €2,158 million in the first half of 2020, up 8.2% on the prior-year figure. The impact of the pandemic varied greatly from region to region, with sharp declines in volumes and supplemental costs being reported above all in Spain and India. Overall growth in B2C volumes in other countries was able to compensate for those losses. Revenue increased in the Americas and Europe regions, whereas the Asia region registered notable revenue declines. Excluding foreign currency gains of €3 million, revenue was up by 8.1% year-on-year. Division revenue for the second quarter of 2020 increased by 16.8% to €1,162 million.

Improved EBIT due to prior-year restructuring expenditures
Division EBIT increased to €7 million in the first half of 2020 (previous year: €–46 million). EBIT for the first half of 2019 was impacted mainly by net restructuring expenses of €51 million, incurred amongst other things for portfolio optimisation, overhead reductions and loss allowances. The reporting period also includes non-recurring impairment losses of €30 million resulting from lockdown measures. EBIT for the second quarter of 2020 came to €1 million (previous year: €–18 million).

EXPECTED DEVELOPMENTS

Future economic parameters

As a result of the global pandemic, the world economic outlook has worsened significantly thus far in 2020. IHS Markit (IHS) expects the global economy to shrink by 5.5% in 2020. Global trade in goods and services is projected to contract by 10.9%. For the second half of the year, IHS forecasts a major uptick in economic activity and a gradual easing of the measures implemented to halt the spread of the virus. The largest risk to the current outlook is the threat of a second global wave of infections. However, if the pandemic can be contained more quickly, the economic recovery could also be faster. The IHS Markit forecast expects an effective treatment for the COVID-19 virus to be globally available in mid-2021.

Gross domestic product (GDP) in China is projected to increase slightly in 2020 (IHS: 0.5%; IMF: 1.0%), whilst the Japanese economy is forecast to experience a brief but deep economic recession (IHS: –5.2%; IMF: –5.8%).

In the USA, economic output is likely to decline dramatically in full-year 2020 (IHS: –6.1%; IMF: –8.0%). The situation is similar in the eurozone as regards economic growth and the recession (IHS: –8.6%; IMF: –10.2%).

In Germany, leading indicators at mid-year are pointing towards an economic turnaround bringing recovery for broad sectors of the economy. Economic development is nonetheless uneven and depressed in particular by weak demand for exports. In light of these factors, a deep recession is projected for 2020 (IHS: –6.0%; IMF: –7.8%; *Sachverständigenrat:* –6.5%).

Earnings forecast

Reported consolidated EBIT is now expected to reach between €3.5 billion and €3.8 billion for full-year 2020. This includes the previously announced StreetScooter realignment totalling around €400 million, a one-time bonus payment of around €200 million to be paid in the third quarter to reward employees for their efforts during the pandemic, and impairment losses of around €100 million resulting from lockdown measures. In 2020, the Group expects EBIT of about €1.5 billion for the Post & Parcel Germany division, which will account for about one-quarter of the bonus payment. We are forecasting EBIT for the DHL divisions of between €2.8 billion and €3.1 billion, including all non-recurring effects. Including the StreetScooter effects, Corporate Functions is expected at about €–750 million.

Expected financial position

For 2020, free cash flow is expected to total around €1.4 billion with total capital expenditure of around €2.9 billion. This includes all previously mentioned non-recurring effects as well as approximately €300 million for the renewal of the intercontinental Express aircraft fleet. Taking into account an increased asset charge, due mainly to the expansion of the aircraft fleet in the Express division, EAC is projected to track EBIT.

OPPORTUNITIES AND RISKS

COVID-19 is showing different effects on our company. Whilst some business segments are affected negatively, there are positive effects in other business segments. Despite COVID-19, our customers' payment behaviour has so far not deteriorated significantly overall. However, we cannot rule out payment defaults caused by the pandemic in the future. Overall COVID-19 represents a risk of medium importance. The impact of the pandemic on the development of the different business segments are explained in **Divisions, page 7 ff.** We now asses the aggregate impact of foreign currency translation as presenting a risk of medium significance.

A German parcel and express association filed an action against the pricing approvals granted – in what is known as a "price-cap procedure" – by the *Bundesnetzagentur* (BNetzA – German Federal Network Agency) on 4 December 2015 for the years from 2016 to 2018. The association filed an additional action against the pricing approvals granted by the Federal Network Agency on 12 December 2019 for the years from 2019 to 2021.

On 27 May 2020, the German Federal Administrative Court ruled on the action brought against the pricing approvals for the years from 2016 to 2018. The only one of the approvals that the court deemed unlawful concerned the increase in the price of a standard domestic letter to €0.70. The ruling is only directly applicable to the plaintiff. The Federal Administrative Court has set the amount in dispute at a mid-range, four-digit euro amount.

In the grounds for its decision, the court stated that the pricing approval in question was unlawful because the method used to calculate the allowable profit margin under the amended provisions of the 2015 *Post-Entgelt-regulierungsverordnung* (PEntgV – Postal Rate Regulation Act) was not in compliance with the provisions of the *Postgesetz* (PostG – German Postal Act) regarding the authority to issue statutory instruments.

It cannot currently be ruled out that the effects of the court's decision on existing pricing approvals or future price-cap proceedings could be negative for Deutsche Post and, according to current assessments, this represents a medium risk.

The Group's overall opportunity and risk situation did not otherwise change significantly during the first half of 2020 as compared with the situation described in the **2019 Annual Report beginning on page 63.** Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current year which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future.

No internet sites that may be referred to in the Interim Group Management Report form part of the report.

INCOME STATEMENT

1 January to 30 June

€ m

	Note	H1 2019	H1 2020	Q2 2019	Q2 2020
Revenue	4	30,833	31,446	15,480	15,959
Other operating income	5	1,349	971	419	549
Changes in inventories and work performed and capitalised	6	141	137	51	117
Materials expense		−15,598	−15,912	−7,784	−8,202
Staff costs		−10,824	−10,952	−5,394	−5,424
Depreciation, amortisation and impairment losses	7	−1,801	−1,963	−918	−942
Other operating expenses	8	−2,174	−2,191	−1,088	−1,114
Net income/loss from investments accounted for using the equity method	9	2	−32	3	−31
Profit from operating activities (EBIT)		**1,928**	**1,504**	**769**	**912**
Financial income		116	141	64	56
Finance costs		−430	−416	−219	−209
Foreign currency income/loss		13	−31	18	−2
Net finance costs		**−301**	**−306**	**−137**	**−155**
Profit before income taxes		**1,627**	**1,198**	**632**	**757**
Income taxes		−358	−288	−139	−182
Consolidated net profit for the period		**1,269**	**910**	**493**	**575**
attributable to Deutsche Post AG shareholders		1,204	826	458	525
attributable to non-controlling interests		65	84	35	50
Basic earnings per share (€)	10	**0.98**	**0.67**	**0.38**	**0.43**
Diluted earnings per share (€)	10	**0.96**	**0.66**	**0.36**	**0.42**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June

€m

	H1 2019	H1 2020	Q2 2019	Q2 2020
Consolidated net profit for the period	**1,269**	**910**	**493**	**575**
Items that will not be reclassified to profit or loss				
Change due to remeasurements of net pension provisions	–1,402	–387	–825	–488
Reserve for equity instruments without recycling	–2	–11	–3	–1
Income taxes relating to components of other comprehensive income	53	71	28	58
Share of other comprehensive income of investments accounted for using the equity method, net of tax	0	0	0	0
Total, net of tax	**–1,351**	**–327**	**–800**	**–431**
Items that may be reclassified subsequently to profit or loss				
Hedging reserves				
Changes from unrealised gains and losses	–6	19	3	20
Changes from realised gains and losses	10	–10	–4	–5
Currency translation reserve				
Changes from unrealised gains and losses	64	–369	–239	–221
Changes from realised gains and losses	32	0	0	0
Income taxes relating to components of other comprehensive income	–1	–2	1	–4
Share of other comprehensive income of investments accounted for using the equity method, net of tax	1	–1	–1	–2
Total, net of tax	**100**	**–363**	**–240**	**–212**
Other comprehensive income, net of tax	**–1,251**	**–690**	**–1,040**	**–643**
Total comprehensive income	**18**	**220**	**–547**	**–68**
attributable to Deutsche Post AG shareholders	–49	141	–573	–114
attributable to non-controlling interests	67	79	26	46

BALANCE SHEET

€m

	Notes	31 Dec. 2019	30 June 2020
ASSETS			
Intangible assets	11	11,987	11,824
Property, plant and equipment		21,303	21,198
Investment property		25	22
Investments accounted for using the equity method		123	102
Non-current financial assets	12	759	745
Other non-current assets		395	254
Deferred tax assets		2,525	2,579
Non-current assets		**37,117**	**36,724**
Inventories		396	407
Current financial assets	12	394	1,087
Trade receivables		8,561	8,292
Other current assets		2,598	3,084
Income tax assets		232	237
Cash and cash equivalents		2,862	4,569
Assets held for sale		9	0
Current assets		**15,052**	**17,676**
TOTAL ASSETS		**52,169**	**54,400**

	Notes	31 Dec. 2019	30 June 2020
EQUITY AND LIABILITIES			
Issued capital	13	1,236	1,237
Capital reserves	14	3,482	3,477
Other reserves		–700	–1,072
Retained earnings		10,099	10,644
Equity attributable to Deutsche Post AG shareholders		14,117	14,286
Non-controlling interests		275	325
Equity		**14,392**	**14,611**
Provisions for pensions and similar obligations		5,102	5,330
Deferred tax liabilities		56	45
Other non-current provisions		1,650	1,714
Non-current financial liabilities		13,736	15,926
Other non-current liabilities		360	361
Non-current provisions and liabilities		**20,904**	**23,376**
Current provisions		964	1,010
Current financial liabilities		3,238	3,590
Trade payables		7,225	6,209
Other current liabilities		4,913	5,111
Income tax liabilities		519	493
Liabilities associated with assets held for sale		14	0
Current provisions and liabilities		**16,873**	**16,413**
TOTAL EQUITY AND LIABILITIES		**52,169**	**54,400**

CASH FLOW STATEMENT

1 January to 30 June

€m

	H1 2019	H1 2020	Q2 2019	Q2 2020
Consolidated net profit for the period	1,269	910	493	575
Income taxes	358	288	139	182
Net finance costs	301	306	137	155
Profit from operating activities (EBIT)	**1,928**	**1,504**	**769**	**912**
Depreciation, amortisation and impairment losses	1,801	1,963	918	942
Net income/loss from disposal of non-current assets	−485	37	−11	11
Non-cash income and expense	−51	78	−6	8
Change in provisions	−122	87	−10	113
Change in other non-current assets and liabilities	61	−34	20	−27
Dividend received	2	1	1	1
Income taxes paid	−419	−325	−235	−157
Net cash from operating activities before changes in working capital	**2,715**	**3,311**	**1,446**	**1,803**
Changes in working capital				
Inventories	−87	−13	−22	−97
Receivables and other current assets	−849	−600	−20	27
Liabilities and other items	−262	−302	−139	−87
Net cash from operating activities	**1,517**	**2,396**	**1,265**	**1,646**
Subsidiaries and other business units	657	4	0	4
Property, plant and equipment and intangible assets	89	42	41	16
Other non-current financial assets	23	20	8	7
Proceeds from disposal of non-current assets	769	66	49	27
Subsidiaries and other business units	−8	0	−8	0
Property, plant and equipment and intangible assets	−1,863	−1,056	−1,229	−459
Investments accounted for using the equity method and other investments	−9	−13	0	−8
Other non-current financial assets	−1	−7	0	−2
Cash paid to acquire non-current assets	−1,881	−1,076	−1,237	−469

	H1 2019	H1 2020	Q2 2019	Q2 2020
Interest received	37	37	21	19
Current financial assets	780	−682	782	−691
Net cash used in investing activities	**−295**	**−1,655**	**−385**	**−1,114**
Proceeds from issuance of non-current financial liabilities	167	2,440	1	2,284
Repayments of non-current financial liabilities	−956	−959	−479	−471
Change in current financial liabilities	422	−92	475	−134
Other financing activities	25	−21	9	−22
Cash paid for transactions with non-controlling interests	−5	−6	−5	−2
Dividend paid to Deutsche Post AG shareholders	−1,419	0	−1,419	0
Dividend paid to non-controlling interest shareholders	−8	−16	−5	−9
Purchase of treasury shares	−10	−45	−10	−15
Interest paid	−289	−276	−168	−151
Net cash used in/from financing activities	**−2,073**	**1,025**	**−1,601**	**1,480**
Net change in cash and cash equivalents	**−851**	**1,766**	**−721**	**2,012**
Effect of changes in exchange rates on cash and cash equivalents	21	−59	−20	−21
Changes in cash and cash equivalents associated with assets held for sale	33	0	0	0
Changes in cash and cash equivalents due to changes in consolidated group	0	0	0	0
Cash and cash equivalents at beginning of reporting period	3,017	2,862	2,961	2,578
Cash and cash equivalents at end of reporting period	**2,220**	**4,569**	**2,220**	**4,569**

STATEMENT OF CHANGES IN EQUITY

1 January to 30 June

€m			Other reserves						
	Issued capital	Capital reserves	Hedging reserves	Reserve for equity instruments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2019	1,233	3,469	−7	8	−948	9,835	13,590	283	**13,873**
Dividend						−1,419	−1,419	−9	**−1,428**
Transactions with non-controlling interests			0	0	0	7	7	−7	**0**
Purchase of treasury shares	0					−10	−10		**−10**
Share-based payment schemes (issuance)		21					21		**21**
Share-based payment schemes (exercise)	1	−25				24	0		**0**
							−1,401	**−16**	**−1,417**
Total comprehensive income									
Consolidated net profit for the period						1,204	1,204	65	**1,269**
Currency translation differences					96		96	1	**97**
Change due to remeasurements of net pension provisions						−1,349	−1,349	1	**−1,348**
Other changes			3	−3		0	0	0	**0**
							−49	**67**	**18**
Balance at 30 June 2019	**1,234**	**3,465**	**−4**	**5**	**−852**	**8,292**	**12,140**	**334**	**12,474**

1 January to 30 June

€m

			Other reserves						
	Issued capital	Capital reserves	Hedging reserves	Reserve for equity instruments without recycling	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2020	1,236	3,482	–5	–22	–673	10,099	14,117	275	**14,392**
Dividend						0	0	–22	**–22**
Transactions with non-controlling interests			0	0	–3	4	1	–7	**–6**
Purchase of treasury shares	–2					–43	–45		**–45**
Share-based payment schemes (issuance)		72					72		**72**
Share-based payment schemes (exercise)	3	–77				74	0		**0**
							28	**–29**	**–1**
Total comprehensive income									
Consolidated net profit for the period						826	826	84	**910**
Currency translation differences					–365		–365	–5	**–370**
Change due to remeasurements of net pension provisions						–316	–316	0	**–316**
Other changes			7	–11		0	–4	0	**–4**
							141	**79**	**220**
Balance at 30 June 2020	**1,237**	**3,477**	**2**	**–33**	**–1,041**	**10,644**	**14,286**	**325**	**14,611**

SELECTED EXPLANATORY NOTES

Company information

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. The condensed consolidated interim financial statements of Deutsche Post AG and its subsidiaries cover the period from 1 January to 30 June 2020 and have been reviewed.

Basis of preparation

1 Basis of accounting

The condensed consolidated interim financial statements as at 30 June 2020 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board (IASB) for interim financial reporting, as adopted by the European Union. These interim financial statements thus include all information and disclosures required by IFRSs to be presented in condensed interim financial statements.

Preparation of the condensed consolidated interim financial statements in accordance with IAS 34 requires the Board of Management to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the Group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in financial year 2020 are not necessarily an indication of how business will develop in the future.

The accounting policies applied to the condensed consolidated interim financial statements are generally based upon the same accounting policies used in the consolidated financial statements for financial year 2019. Exceptions are the new or revised International Financial Reporting Standards (IFRSs) required to be applied for the first time in financial year 2020 that, however, have not had a material influence on the consolidated interim financial statements. Detailed explanations of these can be found in the **2019 Annual Report in note 6 to the consolidated financial statements.**

The key parameter used to calculate the defined benefit obligation (DBO) is a discount rate. According to the applicable accounting rules, a rate equal to the interest paid on high-quality corporate bonds with matching maturities must be applied. The selection of corporate bonds to be used for this purpose for the eurozone was refined as at 30 June 2020. As a result, corporate bonds whose risk-return profile more closely resembles that of government bonds will be selected with greater accuracy in future. This change led to a 0.30 percentage point increase in the discount rate for calculating the DBO for the eurozone as at 30 June 2020, from 1.20% (old method) to 1.50%, reducing the Group's DBO by around €550 million and lifting other comprehensive income (before tax) **Statement of comprehensive income, page 16,** by the same amount.

The income tax expense for the reporting period was deferred on the basis of the tax rate expected to apply to the full financial year. The tax rate for 2020 increased primarily because the recognition of additional deferred taxes on tax loss carryforwards is expected to be smaller due to the use of tax losses compared with the previous year.

No separate reporting is provided in cases where effects cannot be unequivocally attributed to the COVID-19 pandemic.

2 Consolidated group

The companies listed in the following table are consolidated in addition to the parent company Deutsche Post AG:

Consolidated group

	31 Dec. 2019	30 June 2020
Number of fully consolidated companies (subsidiaries)		
German	81	81
Foreign	617	623
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	1	1
Foreign	18	19

There were no significant acquisitions in the period up to 30 June 2020.

The sale of facility management company CSG.PB GmbH was completed in March 2020. The company's assets and liabilities had been reported as held for sale as at 31 December 2019. The deconsolidation gain amounted to €1 million.

3 Significant transactions

In addition to impairment losses of €99 million resulting from the adverse impact of lockdown measures during the pandemic and affecting the Supply Chain and eCommerce Solutions segments most acutely, **notes 7 and 9,** the following significant transactions took place in the first half of 2020:

At the end of February 2020, the Board of Management decided to transition StreetScooter GmbH into an operator of the existing fleet and to discontinue the production of electric vehicles. The net expense incurred in connection with StreetScooter amounted to €324 million as at 30 June 2020.

In May 2020, Deutsche Post AG issued three straight bonds, each with a principal amount of €750 million and maturing in 2026, 2029 and 2032. The new bonds are earmarked for general company purposes such as the scheduled repayment of existing financial liabilities and the implementation of investment projects already announced.

Income statement disclosures

4 Revenue by business unit

€m	H1 2019	H1 2020
Post & Parcel Germany[1]	**7,249**	**7,624**
Post	3,973	3,912
Parcel	2,288	2,725
International	901	909
Other	87	78
Express	**8,027**	**8,483**
Global Forwarding, Freight	**7,087**	**7,286**
Global Forwarding	5,211	5,605
Freight	1,876	1,681
Supply Chain[1]	**6,520**	**5,920**
eCommerce Solutions	**1,876**	**2,094**
Corporate Functions	**74**	**39**
Total revenue	**30,833**	**31,446**

[1] Prior-year figures adjusted to reflect new product structure and reclassifications, note 15.

5 Other operating income

€m	H1 2019	H1 2020
Insurance income	120	133
Income from currency translation	79	131
Subsidies	7	113
Income from the remeasurement of liabilities	122	94
Income from the reversal of provisions	38	73
Income from fees and reimbursements	58	52
Operating lease income	22	52
Income from prior-period billings	28	35
Sublease income	25	32
Commission income	45	28
Income from the disposal of assets	504	20
Income from derivatives	15	18
Income from loss compensation	13	16
Income from the derecognition of liabilities	8	8
Recoveries on receivables previously written off	7	8
Reversals of impairment losses on receivables and other assets	76	2
Miscellaneous	182	156
Total	**1,349**	**971**

In the previous year, other operating income was affected primarily by the sale of the Supply Chain business in China.

Greater use of government subsidies for labour costs was made in the course of lockdown measures in the United Kingdom.

The reversal of impairment losses on receivables and other assets was set off against write-downs of current assets.

Miscellaneous other operating income includes a large number of smaller individual items.

6 Changes in inventories and work performed and capitalised

€m	H1 2019	H1 2020
Changes in inventories income (+)/expense (–)	–32	51
Work performed and capitalised	173	86
Total	**141**	**137**

The decline in work performed and capitalised is mainly the result of the gradual discontinuation of electric vehicle production in connection with the realignment of StreetScooter GmbH.

7 Depreciation, amortisation and impairment losses

€m	H1 2019	H1 2020
Amortisation of and impairment losses on intangible assets, of which impairment loss: 3 (previous year: 3)	103	109
Depreciation of and impairment losses on property, plant and equipment acquired, of which impairment loss: 19 (previous year: 18)	679	770
Depreciation of and impairment losses on right-of-use assets, of which impairment loss: 50 (previous year: 7)	1,015	1,071
Impairment of goodwill	4	13
Depreciation, amortisation and impairment losses	**1,801**	**1,963**

Impairment losses relate chiefly to negative impacts stemming from lockdown measures during the pandemic. Goodwill impairment is attributable to the realignment of StreetScooter GmbH, which was assigned to Corporate Incubations.

Impairment losses

€m	H1 2019	H1 2020
Supply Chain		
Intangible assets	4	3
Acquired property, plant and equipment	14	11
Right-of-use assets	7	46
eCommerce Solutions		
Intangible assets	4	0
Acquired property, plant and equipment	2	1
Right-of-use assets	0	4
Corporate Functions		
Intangible assets	0	13
Acquired property, plant and equipment	1	7
Impairment losses	**32**	**85**

Of the prior-year impairment losses totalling €32 million, €25 million was attributable to the Supply Chain segment and related mostly (€17 million) to the non-current assets of the power packaging business in the United States.

8 Other operating expenses

€m	H1 2019	H1 2020
Warranty expenses, refunds and compensation payments	174	264
Cost of purchased cleaning and security services	217	232
Expenses for advertising and public relations	167	152
Currency translation expenses	80	136
Other business taxes	137	135
Write-downs of current assets	136	121
Travel and training costs	166	109
Telecommunication costs	109	106
Insurance costs	97	94
Office supplies	94	91
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	79	91
Customs clearance-related charges	70	76
Losses on disposal of assets	26	52
Entertainment and corporate hospitality expenses	83	52
Consulting costs (including tax advice)	52	41
Voluntary social benefits	44	40
Monetary transaction costs	33	37
Commissions paid	29	31
Contributions and fees	58	29
Legal costs	23	24
Audit costs	15	14
Donations	9	14
Miscellaneous	276	250
Total	**2,174**	**2,191**

The increase in warranty expenses, refunds and compensation payments, and in losses on disposal of assets, was mainly the result of the negative impact of the gradual discontinuation of vehicle production by StreetScooter GmbH.

Write-downs of current assets were set off against the reversal of impairment losses on receivables and other assets.

Miscellaneous other operating expenses include a large number of smaller individual items.

9 Net income/loss from investments accounted for using the equity method

Impairment losses on investments accounted for using the equity method are also reported in this item. Due to the current earnings situation at France-based Relais Colis SAS resulting from lockdown measures, an impairment test resulted in a full write-off totalling €30 million. The company is assigned to the eCommerce Solutions segment.

10 Earnings per share

Basic earnings per share in the reporting period were €0.67 (previous year: €0.98).

Basic earnings per share

		H1 2019	H1 2020
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,204	826
Weighted average number of shares outstanding	number	1,233,287,492	1,235,591,845
Basic earnings per share	**€**	**0.98**	**0.67**

Diluted earnings per share in the reporting period were €0.66 (previous year: €0.96).

Diluted earnings per share

		H1 2019	H1 2020
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,204	826
Plus interest expense on the convertible bond	€m	4	4
Less income taxes[1]	€m	0	0
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,208	830
Weighted average number of shares outstanding	number	1,233,287,492	1,235,591,845
Potentially dilutive shares	number	21,628,207	21,050,277
Weighted average number of shares for diluted earnings	number	1,254,915,699	1,256,642,122
Diluted earnings per share	**€**	**0.96**	**0.66**

[1] Rounded below €1 million.

Balance sheet disclosures

11 Intangible assets and property, plant and equipment

Investments in intangible assets (not including goodwill), acquired property, plant and equipment, and right-of-use assets amounted to €2,321 million in the first half of 2020 (previous year: €2,965 million).

Investments

€m

	30 June 2019	30 June 2020
Intangible assets (not including goodwill)	**90**	**110**
Acquired property, plant and equipment		
Land and buildings	55	49
Technical equipment and machinery	74	63
Transport equipment	64	120
Aircraft	51	67
IT equipment	35	25
Operating and office equipment	29	26
Advance payments and assets under development	1,320	475
	1,628	**825**
Right-of-use assets		
Land and buildings	951	866
Technical equipment and machinery	24	44
Transport equipment	92	138
Aircraft	178	337
IT equipment	0	1
Advance payments	2	0
	1,247	**1,386**
Total	**2,965**	**2,321**

In the previous year, the renewal of the intercontinental Express aircraft fleet led to increased capital expenditure reported as advance payments.

Goodwill changed as follows:

Change in goodwill

€m

	2019	2020
Cost		
Balance at 1 January	12,236	12,398
Additions from business combinations	0	0
Disposals	−3	0
Currency translation differences	165	−149
Balance at 31 December / 30 June	**12,398**	**12,249**
Depreciation, amortisation and impairment losses		
Balance at 1 January	1,037	1,062
Disposals	−1	0
Impairment losses	4	13
Currency translation differences	22	−23
Balance at 31 December / 30 June	**1,062**	**1,052**
Carrying amount at 31 December / 30 June	**11,336**	**11,197**

Goodwill impairment during the financial year is attributable to the realignment of StreetScooter GmbH, which was assigned to Corporate Incubations, note 3.

12 Financial assets

€m	Non-current		Current		Total	
	31 Dec. 2019	30 June 2020	31 Dec. 2019	30 June 2020	31 Dec. 2019	30 June 2020
Assets measured at cost	490	484	369	444	**859**	**928**
Assets at fair value through other comprehensive income	34	24	0	0	**34**	**24**
Assets at fair value through profit or loss	235	237	25	643	**260**	**880**
Financial assets	**759**	**745**	**394**	**1,087**	**1,153**	**1,832**

Financial assets increased due to the purchase of money market funds in the second quarter of 2020.

Net impairment losses amounted to €–102 million in the first half of 2020 (previous year: €–42 million).

13 Issued capital and purchase of treasury shares

KfW Bankengruppe (KfW) held a 20.53% interest in the share capital of Deutsche Post AG as at 30 June 2020. Free float accounted for 79.47%.

The issued capital is composed of 1,236,506,759 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share, and is fully paid up.

Changes in issued capital and treasury shares

€m	2019	2020
Issued capital		
Balance at 1 January	1,237	1,237
Addition due to contingent capital increase	0	0
Balance at 31 December / 30 June	**1,237**	**1,237**
Treasury shares		
Balance at 1 January	–4	–1
Purchase of treasury shares[1]	0	–2
Issue / sale of treasury shares	3	3
Balance at 31 December / 30 June	**–1**	**0**
Total at 31 December / 30 June	**1,236**	**1,237**

[1] Rounded below €1 million in the previous year.

In the first half of 2020, treasury shares were acquired and issued to executives to settle the 2019 tranche and claims to matching shares under the 2015 tranche. Deutsche Post AG held no treasury shares as at 30 June 2020.

14 Capital reserves

€m	2019	2020
Balance at 1 January	3,469	3,482
Share Matching Scheme		
Addition	31	59
Exercise	–25	–77
Total for Share Matching Scheme	**6**	**–18**
Performance Share Plan		
Addition	25	13
Exercise	–23	0
Total for Performance Share Plan	**2**	**13**
Differences between purchase and issue prices of treasury shares	5	0
Balance at 31 December / 30 June	**3,482**	**3,477**

Segment reporting

15 Segment reporting

Segments by division

€m

	Post & Parcel Germany[1]		Express		Global Forwarding, Freight		Supply Chain[1]		eCommerce Solutions		Corporate Functions		Consolidation[1,2]		Group	
H1	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	7,249	7,624	8,027	8,483	7,087	7,286	6,520	5,920	1,876	2,094	74	39	0	0	**30,833**	**31,446**
Internal revenue	190	213	184	184	471	486	46	39	118	64	627	753	−1,636	−1,739	**0**	**0**
Total revenue	7,439	7,837	8,211	8,667	7,558	7,772	6,566	5,959	1,994	2,158	701	792	−1,636	−1,739	**30,833**	**31,446**
Profit/loss from operating activities (EBIT)	404	598	974	958	224	263	573	140	−46	7	−198	−461[3]	−3	−1	**1,928**	**1,504**
of which net income/loss from investments accounted for using the equity method	0	0	1	1	0	0	5	2	−3	−35	−1	0	0	0	**2**	**−32**
Segment assets[4]	5,904	5,948	15,640	15,607	8,714	9,065	7,898	7,676	1,723	1,687	5,495	5,344	−83	−82	**45,291**	**45,245**
of which investments accounted for using the equity method	0	0	34	44	22	22	14	15	32	0	21	20	0	1	**123**	**102**
Segment liabilities[4]	2,707	2,713	3,801	3,707	3,058	3,059	3,144	2,461	629	651	1,530	1,561	−62	−63	**14,807**	**14,089**
Net segment assets/liabilities[4]	3,197	3,235	11,839	11,900	5,656	6,006	4,754	5,215	1,094	1,036	3,965	3,783	−21	−19	**30,484**	**31,156**
Capex (assets acquired)	186	163	1,051	403	51	40	151	169	57	26	223	134	−1	0	**1,718**	**935**
Capex (right-of-use assets)	26	2	540	507	82	89	276	498	47	86	277	204	−1	0	**1,247**	**1,386**
Total capex	212	165	1,591	910	133	129	427	667	104	112	500	338	−2	0	**2,965**	**2,321**
Depreciation and amortisation	147	153	635	693	127	125	436	429	99	80	324	398	1	0	**1,769**	**1,878**
Impairment losses	0	0	0	0	0	0	25	60	6	5	1	20	0	0	**32**	**85**
Total depreciation, amortisation and impairment losses	147	153	635	693	127	125	461	489	105	85	325	418	1	0	**1,801**	**1,963**
Other non-cash income (–) and expenses (+)	114	183	150	208	21	47	132	102	36	50	26	113	1	0	**480**	**703**
Employees[5]	156,547	155,663	96,354	97,757	44,151	42,849	156,618	157,232	31,131	29,401	12,628	12,724	0	−1	**497,429**	**495,625**

[1] Prior-period amounts adjusted. [2] Including rounding. [3] Of which StreetScooter €–324 million (previous year: €–41 million). [4] As at 31 December 2019 and 30 June 2020. [5] Average FTEs.

Segments by division

€m	Post & Parcel Germany[1]		Express		Global Forwarding, Freight		Supply Chain[1]		eCommerce Solutions		Corporate Functions		Consolidation[1,2]		Group	
Q2	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	3,532	3,765	4,151	4,424	3,564	3,912	3,252	2,715	940	1,129	41	14	0	0	**15,480**	**15,959**
Internal revenue	93	113	89	93	232	252	22	15	55	33	320	409	−811	−915	**0**	**0**
Total revenue	3,625	3,878	4,240	4,517	3,796	4,164	3,274	2,730	995	1,162	361	423	−811	−915	**15,480**	**15,959**
Profit/loss from operating activities (EBIT)	177	264	521	565	124	190	87	35	−18	1	−119	−141	−3	−2	**769**	**912**
of which net income/loss from investments accounted for using the equity method	0	0	0	0	0	0	5	1	−2	−33	0	1	0	0	**3**	**−31**
Capex (assets acquired)	101	91	930	230	25	19	76	73	18	15	121	53	−1	1	**1,270**	**482**
Capex (right-of-use assets)	0	0	321	130	47	36	124	190	29	51	147	141	−1	0	**667**	**548**
Total capex	101	91	1,251	360	72	55	200	263	47	66	268	194	−2	1	**1,937**	**1,030**
Depreciation and amortisation	74	80	322	348	64	63	219	198	50	38	163	146	0	0	**892**	**873**
Impairment losses	0	0	0	0	0	0	24	60	1	2	1	7	0	0	**26**	**69**
Total depreciation, amortisation and impairment losses	74	80	322	348	64	63	243	258	51	40	164	153	0	0	**918**	**942**
Other non-cash income (–) and expenses (+)	62	100	99	101	5	19	44	50	20	44	20	55	1	0	**251**	**369**

[1] Prior-period amounts adjusted. [2] Including rounding.

Information regarding geographical regions

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
H1	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
External revenue	9,280	9,509	9,289	8,964	5,659	5,993	5,340	5,665	1,265	1,315	**30,833**	**31,446**
Non-current assets[1]	9,949	9,778	10,342	10,187	7,695	7,696	4,842	4,929	639	613	**33,467**	**33,203**
Total capex	939	622	518	536	1,137	815	272	297	99	51	**2,965**	**2,321**
Q2												
External revenue	4,534	4,672	4,662	4,408	2,895	3,159	2,741	3,077	648	643	**15,480**	**15,959**
Total capex	505	366	243	191	978	323	153	125	58	25	**1,937**	**1,030**

[1] As at 31 December 2019 and 30 June 2020.

Adjustment of prior-period amounts

Effective 1 January 2020, the fulfilment activities of Home Delivery GmbH were transferred from the Post & Parcel Germany segment to the Supply Chain division. The prior-period amounts have been adjusted accordingly.

Reconciliation

€m

	H1 2019	H1 2020
Total income of reported segments	2,129	1,966
Corporate Functions	–198	–461
Reconciliation to Group/Consolidation	–3	–1
Profit from operating activities (EBIT)	**1,928**	**1,504**
Net finance costs	–301	–306
Profit before income taxes	**1,627**	**1,198**
Income taxes	–358	–288
Consolidated net profit for the period	**1,269**	**910**

16 Disclosures on financial instruments

Financial assets and liabilities

€m

Class	Carrying amount	Fair value	Level 1[1]	Level 2[2]	Level 3[3]
30 June 2020					
Non-current financial assets	**745**	**582**	**252**	**330**	**0**
Assets measured at amortised cost	484[4]	321	0	321	0
Financial assets measured at fair value	261	261	252	9	0
Current financial assets	**1,087**	**643**	**600**	**43**	**0**
Assets measured at amortised cost[5]	444	n.a.	n.a.	n.a.	n.a.
Financial assets measured at fair value	643	643	600	43	0
Non-current financial liabilities	**15,926**	**7,663**	**7,060**	**603**	**0**
Liabilities measured at amortised cost	15,917[4]	7,654	7,060	594	0
Financial liabilities measured at fair value	9	9	0	9	0
Current financial liabilities	**3,590**	**52**	**0**	**52**	**0**
Liabilities measured at amortised cost[5]	3,538	n.a.	n.a.	n.a.	n.a.
Financial liabilities measured at fair value	52	52	0	52	0
31 December 2019					
Non-current financial assets	**759**	**616**	**268**	**348**	**0**
Assets measured at amortised cost	490[4]	347	0	347	0
Financial assets measured at fair value	269	269	268	1	0
Current financial assets	**394**	**25**	**0**	**25**	**0**
Assets measured at amortised cost[5]	369	n.a.	n.a.	n.a.	n.a.
Financial assets measured at fair value	25	25	0	25	0
Non-current financial liabilities	**13,736**	**6,001**	**5,600**	**401**	**0**
Liabilities measured at amortised cost	13,735[4]	6,000	5,600	400	0
Financial liabilities measured at fair value	1	1	0	1	0
Current financial liabilities	**3,238**	**22**	**0**	**22**	**0**
Liabilities measured at amortised cost[5]	3,216	n.a.	n.a.	n.a.	n.a.
Financial liabilities measured at fair value	22	22	0	22	0

[1] Quoted market prices. [2] Inputs other than quoted prices that are directly or indirectly observable for instruments. [3] Inputs not based upon observable market data. [4] The carrying amount also includes lease receivables of €89 million (31 December 2019: €101 million) and liabilities of €8,667 million (31 December 2019: €8,145 million) under IFRS 16. The fair values of the leasing liabilities are not listed because they do not fall within the scope of IFRS 9. [5] No disclosure of market value is required because the carrying amount of the financial instrument is a reasonable approximation of fair value (IFRS 7.29a).

The table on the previous page presents selected financial assets and liabilities measured at fair value or amortised cost. Financial assets and liabilities measured at amortised cost are reported if the carrying amount of an asset or liability differs from its fair value. As permitted under IFRS 7.29a, the disclosures do not include trade receivables, cash and cash equivalents or other current assets and liabilities because their carrying amounts are a reasonable approximation of their fair values. Other non-current assets and liabilities have also been omitted from the presentation as their fair values do not differ from their carrying amounts.

Fair values are assigned to Levels 1 to 3 of the fair value hierarchy.

Level 1 comprises equity and debt instruments measured at fair value and debt instruments measured at amortised cost whose fair values can be determined based on quoted market prices.

The fair values of the financial assets measured at amortised cost and commodity, interest rate and currency derivatives assigned to Level 2 are determined using the multiplied method or upon the basis of discounted expected future cash flows, taking into account forward rates for currencies, interest rates and commodities (market approach). For this purpose, price quotations observable in the market (exchange rates, interest rates and commodity prices) are imported into the treasury management system from standard market information platforms. The price quotations reflect actual transactions involving similar instruments in an active market.

Level 3 mainly comprises the fair values of equity investments and derivatives associated with M&A transactions. They are measured using recognised valuation models and plausible assumptions. The fair values of derivatives as well as of assets and liabilities depend, to a large extent, upon financial ratios. Increasing financial ratios lead to higher fair values, whilst decreasing financial ratios result in lower fair values.

17 Contingent liabilities and other financial obligations

The Group's contingent liabilities and other financial obligations, such as purchase obligations, have not changed significantly compared with 31 December 2019.

18 Related party disclosures

There were no significant changes in related party disclosures as against 31 December 2019.

19 Litigation

A German parcel and express association filed an action against the pricing approvals granted – in what is known as a "price-cap procedure" – by the *Bundesnetzagentur* (BNetzA – German Federal Network Agency) on 4 December 2015 for the years from 2016 to 2018. The association filed an additional action against the pricing approvals granted by the Federal Network Agency on 12 December 2019 for the years from 2019 to 2021.

On 27 May 2020, the German Federal Administrative Court ruled on the action brought against the pricing approvals for the years from 2016 to 2018. The only one of the approvals that the court deemed unlawful concerned the increase in the price of a standard domestic letter to €0.70. The ruling is only directly applicable to the plaintiff. The Federal Administrative Court has set the amount in dispute at a mid-range, four-digit euro amount.

In the grounds for its decision, the court stated that the pricing approval in question was unlawful because the method used to calculate the allowable profit margin under the amended provisions of the 2015 *Post-Entgeltregulierungsverordnung* (PEntgV – Postal Rate Regulation Act) was not in compliance with the provisions of the *Postgesetz* (PostG – German Postal Act) regarding the authority to issue statutory instruments.

It cannot currently be ruled out that the effects of the court's decision on other pricing approvals or future price-cap proceedings could be negative for Deutsche Post.

20 Events after the reporting date / other disclosures

Deutsche Post DHL Group will pay its employees a special bonus totalling around €200 million in the third quarter in recognition of their efforts during the pandemic.

In early July, the Board of Management and Supervisory Board decided to propose a dividend of €1.15 per share to the virtual Annual General Meeting on 27 August 2020.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, 4 August 2020

Deutsche Post AG
The Board of Management

Dr Frank Appel	Ken Allen
Oscar de Bok	Melanie Kreis
Dr Tobias Meyer	Dr Thomas Ogilvie
John Pearson	Tim Scharwath

REVIEW REPORT

To Deutsche Post AG, Bonn

We have reviewed the condensed consolidated interim financial statements – comprising income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Deutsche Post AG, Bonn, for the period from 1 January to 30 June 2020 which are part of the half-year financial report pursuant to § (Article) 115 WpHG (“*Wertpapierhandelsgesetz*”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company’s Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW) and additionally observed the International Standard on Review Engagements “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, 4 August 2020

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
(German Public Auditor)	(German Public Auditor)

CONTACTS

Deutsche Post AG
Headquarters
Investor Relations
53250 Bonn
Germany

Investor Relations
Tel.: +49 (0) 228 182-6 36 36
Fax: +49 (0) 228 182-6 31 99
E-mail: ir@dpdhl.com

Press Office
Tel.: +49 (0) 228 182-99 44
Fax: +49 (0) 228 182-98 80
E-mail: pressestelle@dpdhl.com

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The English version of the 2020 Half-year Report of Deutsche Post DHL Group constitutes a translation of the original German version. Only the German version is legally binding, insofar as this does not conflict with legal provisions in other countries. Deutsche Post Corporate Language Services et al.

FINANCIAL CALENDAR

2020

2020 Annual General Meeting	**27 August**
Dividend payment	**1 September**
Results of the first nine months of 2020	**10 November**

2021

Results of financial year 2020	**9 March**

Other dates, revised dates and information regarding live webcasts:
@ **dpdhl.com/en/investors**