Interim Report

as at 30 June 2017

DELIVERING CONTINUED PROFITABLE GROWTH – WHILE FURTHER EXPANDING OUR FOOTPRINT FOR GROWTH

Double-digit Group EBIT increase in Q2 on basis of 5% organic revenue increase

Strong TDI and EBIT growth momentum in Express with new record margin of 12.5% in Q2

PeP EBIT up year-on-year as mail volume decline normalises

EBIT decline at Global Forwarding, Freight mitigated in demanding market environment

Supply Chain with steady profit growth while further optimising the operational set-up

Strong H1 cash flow on track for full-year targets despite slightly lower Q2 cash generation due to growth-driven working capital build-up

Expansion of e-commerce footprint continues through targeted investments in all divisions

Q2/H1 CONFIRMS CONTINUED PROGRESS TOWARDS OUR FINANCIAL AND STRATEGIC TARGETS

Unique divisional footprint allows us to leverage organic growth opportunities across the logistics value chain, in particular serving sustained e-commerce growth

EBIT performance once more demonstrating operating leverage and efficiency improvement levers across our divisions, in line with our 2020 targets

Future growth and efficiency opportunities are addressed via investment in e-commerce expansion and digital innovation

WE BALANCE ATTRACTIVE SHORT-TERM RETURNS WITH SELF-FUNDED LONG-TERM INVESTMENTS

Deutsche Post DHL Group

SELECTED KEY FIGURES

MAIL COMMUNICATION

Mail items (millions)

Q2 2017 1,846

Q2 2016 1,945

–5.1%

PARCEL GERMANY

Parcels (millions)

Q2 2017 304

Q2 2016 286

+6.3%

TIME DEFINITE INTERNATIONAL (TDI)

Thousands of items per day

Q2 2017 890

Q2 2016, adjusted 820

+8.5%

REVENUE, Q2 2017

€14,813 million

(Q2 2016: €14,190 million)

EBIT, Q2 2017

€841 million

Profit from operating activities.
(Q2 2016: €752 million)

EARNINGS PER SHARE

€

Q2 2017 0.50

Q2 2016 0.45

Basic earnings per share.

RETURN ON SALES, Q2 2017

5.7%

(Q2 2016: 5.3%)

CONSOLIDATED NET PROFIT FOR THE PERIOD

€m

Q2 2017 602

Q2 2016 541

After deduction of non-controlling interests.

		H1 2016	H1 2017	+/– %	Q2 2016	Q2 2017	+/– %
Revenue	€m	28,062	29,696	5.8	14,190	14,813	4.4
Profit from operating activities (EBIT)	€m	1,625	1,726	6.2	752	841	11.8
Return on sales[1]	%	5.8	5.8	–	5.3	5.7	–
EBIT after asset charge (EAC)	€m	856	932	8.9	366	445	21.6
Consolidated net profit for the period[2]	€m	1,180	1,235	4.7	541	602	11.3
Free cash flow	€m	–1,300	–45	96.5	–600	385	>100
Net debt[3]	€m	2,261	3,575	58.1	–	–	–
Earnings per share[4]	€	0.98	1.02	4.1	0.45	0.50	11.1
Number of employees[5]		508,036	508,928	0.2	–	–	–

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Prior-period amount as at 31 December, for the calculation page 6 of the Interim Group Management Report.
[4] Basic earnings per share.
[5] Headcount at the end of the first half of the year, including trainees; prior-period amount as at 31 December.

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GENERAL INFORMATION

Organisation

Effective 1 June 2017, Tim Scharwath assumed responsibility for the Global Forwarding, Freight division in his new capacity as member of the Group Board of Management.

The Supervisory Board appointed Thomas Ogilvie as Board Member for Human Resources and Group Labour Director on 23 June 2017. He will take over these duties as at 1 September 2017 from Melanie Kreis, who will now focus exclusively on her position as the Group's Chief Financial Officer, as planned.

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

Global economic growth picked up slightly during the first half of 2017.

In Asia, growth remained robust overall and the Chinese economy stabilised. The Japanese economy continued to record moderate growth.

Growth in the United States lost some general momentum with regard to private consumption, whereas gross fixed capital formation posted much stronger growth. The US Federal Reserve increased its key interest rate in two steps by 0.50 percentage points in total, with rates moving to between 1.00% and 1.25%.

In the euro zone, economic growth was on the rise. Domestic demand received a major boost from private consumption and capital expenditure, whilst exports also provided momentum. The rate of inflation, which had increased significantly at the start of the year, has registered recent declines. The European Central Bank left its key interest rate at 0.00% and continued its bond-buying programme as planned.

The German economy saw strong growth, thanks above all to powerful stimulus from construction spending and exports. Private consumption and employment also made gains. The positive economic trend was again reflected in corporate sentiment, with the ifo German Business Climate Index recently having reached its highest level since 1991.

Significant events

By way of a resolution of the Board of Management dated 21 March 2017, a capital reduction was implemented through retirement of 27.3 million treasury shares, note 9.

Results of operations

Selected indicators for results of operations

		H1 2016	H1 2017	Q2 2016	Q2 2017
Revenue	€m	28,062	29,696	14,190	14,813
Profit from operating activities (EBIT)	€m	1,625	1,726	752	841
Return on sales[1]	%	5.8	5.8	5.3	5.7
EBIT after asset charge (EAC)	€m	856	932	366	445
Consolidated net profit for the period[2]	€m	1,180	1,235	541	602
Earnings per share[3]	€	0.98	1.02	0.45	0.50

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

Portfolio and reporting unchanged

There were no notable changes in the portfolio or in reporting during the reporting period.

Consolidated revenue climbs to €29,696 million

Deutsche Post DHL Group increased its consolidated revenue by €1,634 million in the first half of 2017 to €29,696 million. Negative currency effects reduced the figure by €178 million. 70.0% of consolidated revenue was generated abroad (previous year: 68.7%). Second-quarter 2017 revenue amounted to €14,813 million, exceeding the comparable prior-year figure by 4.4%.

At €986 million, other operating income was at the prior-year level in the first half of the year (previous year: €978 million).

Increase in expenses

Materials expense rose by €1,162 million to €15,970 million in the first half of the year, due in particular to an increase in transport costs. At €10,094 million, staff costs were higher year-on-year (€9,830 million), primarily as a result of the increased headcount. Depreciation, amortisation and impairment losses were up by €68 million to €721 million, due mainly to investment activity. Other operating expenses rose from €2,125 million to €2,173 million on the back of a large number of minor factors.

Changes in revenue, other operating income and operating expenses, H1 2017

	€m	+/– %	
Revenue	29,696	5.8	• Currency effects reduce amount by €178 million
Other operating income	986	0.8	• At prior-year level
Materials expense	15,970	7.8	• Higher transport costs
Staff costs	10,094	2.7	• Rise in headcount
Depreciation, amortisation and impairment losses	721	10.4	• Increase due to investment activity
Other operating expenses	2,173	2.3	• Large number of minor factors

Consolidated EBIT up 6.2%

Profit from operating activities (EBIT) improved by 6.2% year-on-year in the first half of 2017 to €1,726 million. By contrast, net finance costs widened from €171 million to €182 million. Profit before income taxes rose by €90 million to €1,544 million. Income taxes also rose due to a higher tax rate, climbing €29 million to €232 million.

Consolidated net profit above prior-year level

Consolidated net profit in the first half of the year amounted to €1,312 million, up 4.9% on the prior-year figure (€1,251 million). Of this amount, €1,235 million is attributable to shareholders of Deutsche Post AG and €77 million to non-controlling interest holders. Basic earnings per share improved from €0.98 to €1.02 and diluted earnings per share from €0.94 to €1.00.

Increase in EBIT after asset charge (EAC)

EAC climbed from €856 million to €932 million in the first half of 2017, mainly as a result of the company's increased profitability. The imputed asset charge increased year-on-year, driven particularly by investments in property, plant and equipment in the Post - eCommerce - Parcel and Express divisions.

EBIT after asset charge (EAC)

€m

	H1 2016	H1 2017	+/–%
EBIT	1,625	1,726	6.2
– Asset charge	–769	–794	–3.3
= **EAC**	**856**	**932**	**8.9**

Financial position

Selected cash flow indicators

€m

	H1 2016	H1 2017	Q2 2016	Q2 2017
Cash and cash equivalents as at 30 June	2,072	1,653	2,072	1,653
Change in cash and cash equivalents	–1,462	–1,389	–669	–945
Net cash used in/from operating activities	–373	816	–161	726
Net cash used in investing activities	–870	–619	–403	–297
Net cash used in financing activities	–219	–1,586	–105	–1,374

Liquidity situation remains solid

The principles and aims of our financial management as presented in the 2016 Annual Report beginning on page 52 remain valid and continue to be pursued as part of our finance strategy.

Since funds from operations and debt both increased equally, the FFO to debt performance metric remained largely stable in the first half of 2017 compared with the figure as at 31 December 2016. Funds from operations rose due to the increase in operating cash flow and the decrease in the adjustment for pensions. The amount of interest paid went up, mainly because we had to pay interest on the bonds issued in a total volume of €1.25 billion in April 2016 for the first time during the reporting period. The increase in debt was due primarily to the decrease in surplus cash and near-cash investments as a result of the annual pension-related prepayment to the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency) and the dividend paid for financial year 2016. The adjustment for operating leases increased owing to higher lease obligations. Reported financial liabilities declined, due primarily to repayment of a bond in June. The adjustment for pensions decreased as a result of lower pension obligations arising from higher discount rates.

Our credit quality as rated by Moody's Investors Service and Fitch Ratings has not changed from the ratings described and projected in the 2016 Annual Report beginning on page 55. In view of our solid liquidity, the five-year syndicated credit facility with a total volume of €2 billion was not drawn down during the reporting period. On 30 June 2017, the Group had cash and cash equivalents of €1.7 billion.

FFO to debt

€m	1 Jan. to 31 Dec. 2016	1 July 2016 to 30 June 2017
Operating cash flow before changes in working capital	2,514	3,614
+ Interest received	50	51
– Interest paid	138	157
+ Adjustment for operating leases	1,569	1,565
+ Adjustment for pensions	1,003	218
= Funds from operations (FFO)	**4,998**	**5,291**
Reported financial liabilities[1]	6,035	5,734
– Financial liabilities at fair value through profit or loss[1]	121	82
+ Adjustment for operating leases[1]	7,166	7,548
+ Adjustment for pensions[1]	5,467	4,662
– Surplus cash and near-cash investments[1,2]	2,239	486
= Debt	**16,308**	**17,376**
FFO to debt (%)	**30.6**	**30.5**

[1] As at 31 December 2016 and 30 June 2017, respectively.
[2] Reported cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

Capex and depreciation, amortisation and impairment losses, H1

	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
	2016 adjusted[2]	2017	2016 adjusted[2]	2017	2016	2017	2016	2017	2016	2017	2016 adjusted[2]	2017	2016	2017
Capex (€m)	187	201	396	263	22	37	184	136	77	49	1	–1	**867**	**685**
Depreciation, amortisation and impairment losses (€m)	157	176	207	262	40	34	147	150	101	99	1	0	**653**	**721**
Ratio of capex to depreciation, amortisation and impairment losses	1.19	1.14	1.91	1.00	0.55	1.09	1.25	0.91	0.76	0.49	–	–	**1.33**	**0.95**

[1] Including rounding.
[2] Reassignment of companies in Spain and Portugal from the Express division to the Post - eCommerce - Parcel division.

Capex and depreciation, amortisation and impairment losses, Q2

	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
	2016 adjusted[2]	2017	2016 adjusted[2]	2017	2016	2017	2016	2017	2016	2017	2016 adjusted[2]	2017	2016	2017
Capex (€m)	113	98	205	131	12	19	84	75	40	28	2	0	**456**	**351**
Depreciation, amortisation and impairment losses (€m)	79	88	103	144	20	17	73	75	50	49	2	1	**327**	**374**
Ratio of capex to depreciation, amortisation and impairment losses	1.43	1.11	1.99	0.91	0.60	1.12	1.15	1.00	0.80	0.57	–	–	**1.39**	**0.94**

[1] Including rounding.
[2] Reassignment of companies in Spain and Portugal from the Express division to the Post - eCommerce - Parcel division.

Capital expenditure below strong prior-year level

Investments in property, plant and equipment and intangible assets (not including goodwill) amounted to €685 million in the first half of 2017 (previous year: €867 million). Please refer to notes 8 and 12 to the consolidated financial statements for a breakdown of capex into asset classes and regions.

In the Post - eCommerce - Parcel division, the largest capex portion was attributable to the expansion of our domestic and international parcel network and production of our StreetScooter electric vehicles.

In the Express division, a significant portion of capital expenditure went towards the continuous maintenance and renewal of our aircraft fleet. We also invested further in expanding our network infrastructure, particularly in Leipzig, Brussels, Cincinnati, Mexico and Singapore.

In the Global Forwarding, Freight division, we continued to invest in warehouses, office buildings and IT.

In the Supply Chain division, the majority of funds was used to support new business, mostly in the Americas and EMEA regions where we made notable investments in the Consumer and Retail sectors.

Cross-divisional capital expenditure decreased due to lower spending on IT equipment and the conventional vehicle fleet.

Higher operating cash flow

Net cash from operating activities in the first half of 2017 amounted to €816 million, compared with net cash used in operating activities of €373 million in the previous year. In the first half of 2016, €1 billion was used to fund pension obligations, significantly impacting the change in provisions. EBIT, non-cash components as well as depreciation, amortisation and impairment losses increased in the reporting period. Income tax payments amounted to €325 million, up €101 million year-on-year. The cash outflow from changes in working capital decreased by €89 million to €932 million, due in particular to the clear drop in the reduction in liabilities and other items compared with the prior year.

At €619 million, net cash used in investing activities was below the figure for the previous year (€870 million). The sale of money market funds led to a cash inflow of €200 million. In addition, cash paid to acquire property, plant and equipment and intangible assets decreased by €147 million year-on-year to €869 million. By contrast, the prior-year figure contained proceeds from the sale of the remaining shares in King's Cross.

Calculation of free cash flow

€m

	H1 2016	H1 2017	Q2 2016	Q2 2017
Net cash used in/from operating activities	**−373**	**816**	**−161**	**726**
Sale of property, plant and equipment and intangible assets	60	82	27	31
Acquisition of property, plant and equipment and intangible assets	−1,016	−869	−439	−334
Cash outflow arising from change in property, plant and equipment and intangible assets	**−956**	**−787**	**−412**	**−303**
Disposals of subsidiaries and other business units	0	0	0	0
Disposals of investments accounted for using the equity method and other investments	80	3	0	3
Acquisition of subsidiaries and other business units	0	−4	0	0
Acquisition of investments accounted for using the equity method and other investments	−19	−23	0	0
Cash inflow/outflow arising from divestitures/acquisitions	**61**	**−24**	**0**	**3**
Interest received	24	25	13	15
Interest paid	−56	−75	−40	−56
Net interest paid	**−32**	**−50**	**−27**	**−41**
Free cash flow	**−1,300**	**−45**	**−600**	**385**

Free cash flow improved significantly from €−1,300 million to €−45 million. After adjustment for payments made to fund pension obligations, it also improved substantially from €−300 million to €−45 million. In the previous year, changes in shareholdings led to a cash inflow of €61 million, which largely came from the sale of the shares in King's Cross. This contrasts with a cash outflow of €24 million in the first half of 2017.

At €1,586 million, net cash used in financing activities exceeded the prior-year figure of €219 million by a substantial €1,367 million. In the previous year, bond placements resulted in capital of €1,239 billion being raised. At €1,270 million, the dividend distribution was the largest payment item in the reporting period.

Cash and cash equivalents declined from €3,107 million as at 31 December 2016 to €1,653 million.

Net assets

Selected indicators for net assets

		31 Dec. 2016	30 June 2017
Equity ratio	%	29.6	31.5
Net debt	€m	2,261	3,575
Net interest cover[1]		50.8	34.5
Net gearing	%	16.6	23.7
FFO to debt[2]	%	30.6	30.5

[1] In the first half of the year.
[2] For the calculation Financial position, page 4.

Decline in consolidated total assets

The Group's total assets amounted to €36,590 million as at 30 June 2017, €1,705 million lower than at 31 December 2016 (€38,295 million).

Intangible assets dropped by €323 million to €12,231 million because of exchange rate movements. The property, plant and equipment item decreased from €8,389 million to €8,121 million since depreciation and impairment losses, disposals and negative currency effects exceeded additions. Current financial assets fell by €186 million to €188 million, due in particular to our sale of money market funds in the amount of €200 million. By contrast, other current assets climbed by €443 million to €2,619 million. This figure includes a deferred expense of €230 million as at the balance sheet date, which was recognised for the prepaid annual contribution for civil servant pensions to the *Bundesanstalt für Post und Telekommunikation*. The change in cash and cash equivalents is described in the section entitled Financial position, page 5f.

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders rose by €127 million to €11,214 million: the consolidated net profit for the period and actuarial gains on pension obligations served to increase this figure, whilst the dividend payment and negative currency effects decreased it. Financial liabilities fell from €6,035 million to €5,734 million, due, for example, to the end of the share buyback programme. Non-current provisions fell by €808 million to €6,376 million, this was due, amongst other things, to a decline in pension provisions as a result of actuarial gains. Trade payables fell tangibly from €7,178 million to €6,408 million.

Net debt increases to €3,575 million

Our net debt amounted to €3,575 million as at 30 June 2017 (31 December 2016: €2,261 million). In the first half of the year, we distributed a dividend of €1,270 million for financial year 2016. We also pay our regular contribution for civil servant pensions to the *Bundesanstalt für Post und Telekommunikation* in the first six months of the year. The annual contribution for 2017 amounted to €493 million. At 31.5%, the equity ratio was higher than at 31 December 2016 (29.6%). The net interest cover ratio – the extent to which net interest obligations are covered by EBIT – fell from 50.8 to 34.5. Net gearing was 23.7% as at 30 June 2017.

Net debt

€m

	31 Dec. 2016	30 June 2017
Non-current financial liabilities	4,516	4,501
+ Current financial liabilities	1,381	1,085
= **Financial liabilities**[1]	**5,897**	**5,586**
– Cash and cash equivalents	3,107	1,653
– Current financial assets	374	188
– Positive fair value of non-current financial derivatives[2]	155	170
= **Financial assets**	**3,636**	**2,011**
Net debt	**2,261**	**3,575**

[1] Less financial liabilities of an operational nature.
[2] Reported in non-current financial assets in the balance sheet.

Business performance in the divisions

POST - ECOMMERCE - PARCEL DIVISION

Key figures of the Post - eCommerce - Parcel division

€m	H1 2016 adjusted[1]	H1 2017	+/– %	Q2 2016 adjusted[1]	Q2 2017	+/– %
Revenue	8,344	8,813	5.6	4,072	4,268	4.8
of which Post	4,864	4,792	–1.5	2,331	2,290	–1.8
eCommerce - Parcel	3,480	4,021	15.5	1,741	1,978	13.6
Profit from operating activities (EBIT)	663	684	3.2	249	259	4.0
of which Germany	658	676	2.7	248	264	6.5
International Parcel and eCommerce	5	8	60.0	1	–5	<–100
Return on sales (%)[2]	7.9	7.8	–	6.1	6.1	–
Operating cash flow	–525	411	>100	–601	235	>100

[1] Reassignment of companies in Spain and Portugal from the Express division note 12.
[2] EBIT/revenue.

Revenue continues to perform well
In the first half of 2017, revenue in the division increased by 5.6% to €8,813 million (previous year: €8,344 million) on the basis of the same number of working days in Germany as in the prior-year period. Growth continued to be driven by the eCommerce - Parcel business unit. Negative currency effects of €11 million were recorded in the reporting period. Divisional revenue for the second quarter of 2017 was up 4.8% compared with the prior-year period.

Decline in revenue and volumes in the Post business unit
In the Post business unit, both revenue and volumes were below the prior-year levels in the first half of 2017. Revenue declined by 1.5% to €4,792 million (previous year: €4,864 million) and volumes were down 1.1%. Revenue for the second quarter of 2017 amounted to €2,290 million (previous year: €2,331 million).

As expected, Mail Communication volumes remained in decline on the whole, above all due to electronic substitution. By contrast, revenue and volumes increased in the Dialogue Marketing business, due, amongst other things, to special circumstances such as elections.

In the cross-border mail business, although the trend towards merchandise shipments by mail continued, it could not offset volume declines in promotional mailing and document dispatch.

Post: revenue

€m	H1 2016 adjusted[1]	H1 2017	+/– %	Q2 2016 adjusted[1]	Q2 2017	+/– %
Mail Communication	3,267	3,181	–2.6	1,562	1,513	–3.1
Dialogue Marketing	1,089	1,116	2.5	523	541	3.4
Other	508	495	–2.6	246	236	–4.1
Total	**4,864**	**4,792**	**–1.5**	**2,331**	**2,290**	**–1.8**

[1] Changed product allocations.

Post: volumes

Mail items (millions)	H1 2016 adjusted[1]	H1 2017	+/– %	Q2 2016 adjusted[1]	Q2 2017	+/– %
Total	9,278	9,180	–1.1	4,396	4,375	–0.5
of which Mail Communication	4,170	3,972	–4.7	1,945	1,846	–5.1
of which Dialogue Marketing	4,165	4,293	3.1	1,972	2,064	4.7

[1] Changed product allocations.

eCommerce - Parcel business unit continues to grow

Revenue in the business unit was €4,021 million in the first half of 2017, thus exceeding the prior-year figure of €3,480 million by 15.5%. The second quarter of 2017 also saw double-digit revenue growth.

Parcel Germany's revenue increased by 3.7% to €2,360 million in the first half of the year (previous year: €2,276 million). Volumes rose by 7.8% to 619 million parcels.

In the Parcel Europe business, revenue grew by 65.8% to €915 million (previous year: €552 million). The increase was driven, amongst other things, by the start of business activities in the United Kingdom through the acquisition of UK Mail, which generated revenue of €266 million in the first half of 2017.

In the DHL eCommerce business, revenue for the first half of the year was up 14.4% on the prior year to €746 million. Excluding currency effects, growth was 11.8%.

eCommerce - Parcel: revenue

€m	H1 2016 adjusted[1]	H1 2017	+/– %	Q2 2016 adjusted[1]	Q2 2017	+/– %
Parcel Germany	2,276	2,360	3.7	1,141	1,156	1.3
Parcel Europe[2]	552	915	65.8	283	457	61.5
DHL eCommerce[3]	652	746	14.4	317	365	15.1
Total	**3,480**	**4,021**	**15.5**	**1,741**	**1,978**	**13.6**

[1] Reassignment of companies in Spain and Portugal from the Express division note 12.
[2] Excluding Germany.
[3] Outside Europe.

Parcel Germany: volumes

Parcels (millions)	H1 2016	H1 2017	+/– %	Q2 2016	Q2 2017	+/– %
Total	574	619	7.8	286	304	6.3

Improvement in EBIT

EBIT in the division improved by 3.2% to €684 million in the first half of 2017 (previous year: €663 million). The increase was driven mainly by higher revenues, whilst increased material and labour costs as well as continued investments in the parcel network prevented a more significant improvement in earnings. The majority of our EBIT continues to be generated in Germany. Return on sales fell to 7.8% (previous year: 7.9%). Division EBIT for the second quarter of 2017 amounted to €259 million (previous year: €249 million). Operating cash flow improved from €–525 million to €411 million in the first half of the year. This mainly reflects a payment of €955 million made in April 2016 to further fund pension obligations.

EXPRESS DIVISION

Key figures of the EXPRESS division

€m	H1 2016 adjusted[1]	H1 2017	+/– %	Q2 2016 adjusted[1]	Q2 2017	+/– %
Revenue	6,631	7,345	10.8	3,450	3,750	8.7
of which Europe	2,935	3,230	10.1	1,529	1,635	6.9
Americas	1,313	1,472	12.1	683	754	10.4
Asia Pacific	2,495	2,748	10.1	1,308	1,415	8.2
MEA (Middle East and Africa)	530	562	6.0	269	282	4.8
Consolidation/Other	–642	–667	–3.9	–339	–336	0.9
Profit from operating activities (EBIT)	773	865	11.9	418	469	12.2
Return on sales (%)[2]	11.7	11.8	–	12.1	12.5	–
Operating cash flow	637	882	38.5	400	542	35.5

[1] Reassignment of companies in Spain and Portugal to the Post - eCommerce - Parcel division note 12.
[2] EBIT/revenue.

Operating business continues to perform well
Revenue in the division increased by 10.8% to €7,345 million in the first half of 2017 (previous year: €6,631 million). This includes negative currency effects of €35 million. Excluding these effects, the increase in revenue was 11.3%. The revenue figure also reflects the fact that fuel surcharges were higher in all regions as the price of crude oil increased compared with the previous year. Excluding foreign currency losses and higher fuel surcharges, revenue was up by 8.7%.

In the Time Definite International (TDI) product line, revenues per day increased by 11.2% and per-day shipment volumes by 8.3% in the first half of the year. Revenues per day for the second quarter were up by 12.7% and per-day shipment volumes by 8.5%.

In the Time Definite Domestic (TDD) product line, revenues per day increased by 7.7% in the first half of the year and per-day shipment volumes by 5.0%. Growth in the second quarter of 2017 amounted to 10.3% for revenues per day and 6.4% for per-day volumes.

EXPRESS: revenue by product

€m per day[1]	H1 2016 adjusted[2]	H1 2017	+/– %	Q2 2016 adjusted[2]	Q2 2017	+/– %
Time Definite International (TDI)	40.9	45.5	11.2	42.4	47.8	12.7
Time Definite Domestic (TDD)	3.9	4.2	7.7	3.9	4.3	10.3

[1] To improve comparability, product revenues were translated at uniform exchange rates.
[2] Reassignment of companies in Spain and Portugal to the Post - eCommerce - Parcel division note 12.

EXPRESS: volumes by product

Thousands of items per day[1]	H1 2016 adjusted[2]	H1 2017	+/– %	Q2 2016 adjusted[2]	Q2 2017	+/– %
Time Definite International (TDI)	791	857	8.3	820	890	8.5
Time Definite Domestic (TDD)	422	443	5.0	424	451	6.4

[1] To improve comparability, product revenues were translated at uniform exchange rates.
[2] Reassignment of companies in Spain and Portugal to the Post - eCommerce - Parcel division note 12.

Strong momentum in Europe region

Revenue in the Europe region increased by 10.1% to €3,230 million in the first half of 2017 (previous year: €2,935 million). This included negative currency effects of €46 million, which related mainly to the United Kingdom and Turkey. Excluding these effects, revenue growth was 11.6%. In the TDI product line, revenues per day increased by 12.5%. Per-day shipment volumes improved by 11.9%. International per-day shipment revenues for the second quarter were up by 13.6% and per-day shipment volumes by 11.6%.

Stable growth in the Americas region

Revenue in the Americas region increased by 12.1% to €1,472 million (previous year: €1,313 million). This included positive currency effects of €4 million that related mainly to our business activities in the USA. Excluding the currency effects, revenue in the region rose by 11.8%. In the TDI product line, per-day shipments were up by 9.5% compared with the previous year. Revenues per day increased by 10.8%. Second-quarter volumes were up by 10.8% and per-day revenues by 13.0%.

Business picks up again in Asia Pacific region

Revenue in the Asia Pacific region increased by 10.1% to €2,748 million in the first half of the year (previous year: €2,495 million). This included positive currency effects of €26 million that related mainly to South Korea and India but extended to other countries in the region as well. Excluding the currency effects, the revenue increase was 9.1%. In the TDI product line, revenues per day rose by 10.0% and per-day volumes by 2.4%. Growth in the second quarter of 2017 amounted to 11.8% for revenues per day and 3.2% for per-day volumes.

Strong volume growth in MEA region

Revenue in the MEA region (Middle East and Africa) increased by 6.0% to €562 million in the first half of the year (previous year: €530 million). This figure included negative currency effects of €19 million, most of which related to Egypt. Excluding those effects, revenue growth in this region was 9.6%. TDI revenues per day rose by 10.8% and per-day volumes by 18.0%. Growth in the second quarter of 2017 amounted to 14.9% for revenues per day and 24.5% for per-day volumes.

EBIT and operating cash flow up sharply year-on-year

EBIT in the division rose by 11.9% to €865 million in the first half of 2017 (previous year: €773 million), driven by network improvements and strong international business growth. Return on sales rose from 11.7% to 11.8%. EBIT for the second quarter grew by 12.2% to €469 million and return on sales increased from 12.1% to 12.5%. Operating cash flow rose to €882 million in the first half of the year (previous year: €637 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures of the GLOBAL FORWARDING, FREIGHT division

€m

	H1 2016	H1 2017	+/– %	Q2 2016	Q2 2017	+/– %
Revenue	6,752	7,158	6.0	3,425	3,612	5.5
of which Global Forwarding	4,684	5,063	8.1	2,359	2,560	8.5
Freight	2,151	2,171	0.9	1,107	1,091	–1.4
Consolidation/Other	–83	–76	8.4	–41	–39	4.9
Profit from operating activities (EBIT)	120	107	–10.8	69	67	–2.9
Return on sales (%)[1]	1.8	1.5	–	2.0	1.9	–
Operating cash flow	–64	–100	–56.3	102	–36	<–100

[1] EBIT/revenue.

Revenue development remains positive in freight forwarding business

Revenue in the division increased by 6.0% to €7,158 million in the first half of 2017 (previous year: €6,752 million). Excluding negative currency effects of €12 million, revenue was up 6.2% year-on-year. Revenue for the second quarter of 2017 rose by 5.5% compared with the second quarter of 2016. In the Global Forwarding business unit, revenue for the first half of the year was up by 8.1% to €5,063 million (previous year: €4,684 million). Excluding positive currency effects of €8 million, the increase was 7.9%. At €1,187 million, gross profit was below the prior-year level (previous year: €1,203 million).

Further growth in air and ocean freight revenues, margins remain under pressure

Air and ocean freight revenues and volumes grew significantly in the first half of 2017.

With regard to air freight, we reported a volume increase of 12.6%. Freight rates in Asia remained nearly unchanged at a level comparable with the peak season of the fourth quarter of the previous year. Due to our contract structures air freight price increases can only be passed on to customers with a delay. As a result, revenue for the first half of 2017 only rose by 6.3% and air freight gross profit fell by 6.3% despite increased volumes. Volumes in the second quarter of 2017 were up 11.4%.

Ocean freight volumes were up by 6.5% in the first half of 2017, driven mainly by growth on the trade lanes between Asia and Europe and supported by growth in the transpacific market. Freight rates rose considerably on most trade lanes due to the consolidation of the shipping company market, capacity shortages on various routes and higher demand. As a result, our ocean freight revenue increased by 6.0% whilst gross profit fell by 3.2%.

The performance of our industrial project business (in the following table reported as part of Other in the Global Forwarding business unit) improved compared with the previous year. The share of revenue related to industrial project business and reported under Other increased from 20.6% in the prior year to 25.6%. Gross profit improved by 7.6%.

Global Forwarding: revenue

€m

	H1 2016	H1 2017	+/– %	Q2 2016	Q2 2017	+/– %
Air freight	2,122	2,256	6.3	1,069	1,130	5.7
Ocean freight	1,625	1,723	6.0	813	881	8.4
Other	937	1,084	15.7	477	549	15.1
Total	**4,684**	**5,063**	**8.1**	**2,359**	**2,560**	**8.5**

Global Forwarding: volumes

Thousands

		H1 2016	H1 2017	+/– %	Q2 2016	Q2 2017	+/– %
Air freight	tonnes	1,725	1,942	12.6	889	990	11.4
of which exports	tonnes	983	1,090	10.9	507	556	9.7
Ocean freight	TEUs[1]	1,495	1,592	6.5	773	824	6.6

[1] Twenty-foot equivalent units.

Revenue in European overland transport business above prior-year level

In the Freight business unit, revenue rose by 0.9% to €2,171 million in the first half of 2017 (previous year: €2,151 million) despite negative currency effects of €20 million. The 1.7% volume growth was driven mainly by e-commerce-related business in Scandinavia. Gross profit was down slightly (–1.1%) to €553 million (previous year: €559 million).

Pressure on margins impacts EBIT

EBIT in the division decreased from €120 million to €107 million in the first half of 2017. High freight rates continued to put pressure on gross profit margins in the core air and ocean freight products. Return on sales fell to 1.5% (previous year: 1.8%). Second-quarter EBIT decreased from €69 million to €67 million.

Net working capital was up in the first half of the year due to the increase in receivables from higher transport volumes. The increase was partially offset by higher liabilities. Operating cash flow amounted to €–100 million (previous year: €–64 million).

SUPPLY CHAIN DIVISION

Key figures of the SUPPLY CHAIN division

€m

	H1 2016	H1 2017	+/– %	Q2 2016	Q2 2017	+/– %
Revenue	6,934	7,038	1.5	3,541	3,515	–0.7
of which EMEA (Europe, Middle East and Africa)	3,714	3,532	–4.9	1,869	1,760	–5.8
Americas	2,195	2,334	6.3	1,146	1,173	2.4
Asia Pacific	1,042	1,188	14.0	534	591	10.7
Consolidation/Other	–17	–16	5.9	–8	–9	–12.5
Profit from operating activities (EBIT)	229	223	–2.6	102	124	21.6
Return on sales (%)[1]	3.3	3.2	–	2.9	3.5	–
Operating cash flow	14	35	>100	155	139	–10.3

[1] EBIT/revenue.

Revenue growth compensates for currency effects

Revenue in the division increased by 1.5% to €7,038 million in the first half of 2017 (previous year: €6,934 million). The increase was driven by good business performance in the Americas and Asia Pacific regions, which was however partly offset by negative currency effects of €124 million. Excluding this effect, revenue growth was 3.3%. The Life Sciences & Healthcare and Technology sectors achieved the highest revenue growth compared with the previous year. In the second quarter, it was not possible to fully offset the negative currency effects and second-quarter revenue was thus down slightly to €3,515 million (previous year: €3,541 million); excluding currency effects, it rose by 2.2%.

In the EMEA region, revenue decreased due to negative currency effects and lower volumes.

In the Americas region, we increased revenue due to new business in the Consumer sector in particular. The Life Sciences & Healthcare and the Engineering & Manufacturing sectors achieved the highest revenue growth compared with the prior year.

The Asia Pacific region saw strong revenue growth, driven predominantly by the Life Sciences & Healthcare sector in Australia and the Technology sector across all countries in the region.

SUPPLY CHAIN: revenue by sector and region, H1 2017

Total revenue: €7,038 million

of which Retail	24%
Consumer	24%
Automotive	14%
Technology	12%
Life Sciences & Healthcare	11%
Others	7%
Engineering & Manufacturing	5%
Financial Services	3%
of which Europe/Middle East/Africa/Consolidation	50%
Americas	33%
Asia Pacific	17%

New business worth around €480 million secured

In the first half of 2017, the division concluded additional contracts worth around €480 million in annualised revenue with both new and existing customers. The Consumer, Automotive, Technology and Engineering & Manufacturing sectors accounted for the majority of the gains. The annualised contract renewal rate remained at a consistently high level.

Prior-year one-off effects mostly offset by EBIT growth

EBIT in the division was €223 million in the first half of 2017 (previous year: €229 million). EBIT in the same period of 2016 was influenced by income from the sale of shares in King's Cross in the UK and restructuring efforts. Excluding those effects, EBIT improved by 7.7% in the first half of 2017 due to business growth and the effects of strategic initiatives. Return on sales fell only slightly despite the non-recurring effects with a decrease to 3.2% (previous year: 3.3%). EBIT for the second quarter increased from €102 million to €124 million and return on sales rose to 3.5% (previous year: 2.9%). Operating cash flow improved from €14 million to €35 million in the first half of the year, thanks above all to better operational performance.

OPPORTUNITIES AND RISKS

The Group's overall opportunity and risk situation did not change significantly during the first six months of 2017 as compared with the situation described in the @ 2016 Annual Report beginning on page 74. No new risks have been identified that could have a potentially critical impact on the Group's results. 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 forecast period 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.

EXPECTED DEVELOPMENTS

Future economic parameters

The economic outlook for full-year 2017 as reported in the @ 2016 Annual Report beginning on page 82 improved slightly in the first half of the year. The International Monetary Fund (IMF) now expects global economic output to grow by 3.5% and global trade by 4.0%. This outlook could be endangered, mainly by the high level of debt in a number of emerging economies as well as the significant current account imbalances.

In China, gross domestic product (GDP) is expected to stay at the prior-year level (IMF: 6.7%). GDP growth in Japan will remain moderate (IMF: 1.3%; IHS: 1.3%).

Overall, GDP in the United States is anticipated to increase more noticeably than in the previous year (IMF: 2.1%; IHS: 2.3%).

In the euro zone, GDP growth is projected to slightly exceed the previous year's level (IMF: 1.9%; ECB: 1.9%).

Early indicators suggest that the upswing in Germany will continue, although the rate of economic growth is expected to be slightly lower than in the prior year (IMF: 1.8%; *Sachverständigenrat*: 1.4%; IHS: 2.0%).

Revenue and earnings forecast

We are reconfirming the revenue and earnings forecast for full-year 2017 as described in the @ 2016 Annual Report on page 83.

Expected financial position

We are reconfirming the expected financial position for full-year 2017 as described in the @ 2016 Annual Report on page 84.

Change in indicators relevant for internal management

We are similarly reconfirming our forecasts relating to the performance of our other indicators relevant to full-year 2017 performance as described in the @ 2016 Annual Report on page 84.

INCOME STATEMENT

1 January to 30 June

€m	H1 2016	H1 2017	Q2 2016	Q2 2017
Revenue	28,062	29,696	14,190	14,813
Other operating income	978	986	430	467
Total operating income	29,040	30,682	14,620	15,280
Materials expense	−14,808	−15,970	−7,507	−7,947
Staff costs	−9,830	−10,094	−4,909	−4,991
Depreciation, amortisation and impairment losses	−653	−721	−327	−374
Other operating expenses	−2,125	−2,173	−1,125	−1,128
Total operating expenses	−27,416	−28,958	−13,868	−14,440
Net income from investments accounted for using the equity method	1	2	0	1
Profit from operating activities (EBIT)	**1,625**	**1,726**	**752**	**841**
Financial income	45	44	17	23
Finance costs	−184	−213	−87	−104
Foreign currency result	−32	−13	−8	−8
Net finance costs	**−171**	**−182**	**−78**	**−89**
Profit before income taxes	**1,454**	**1,544**	**674**	**752**
Income taxes	−203	−232	−94	−113
Consolidated net profit for the period	**1,251**	**1,312**	**580**	**639**
attributable to Deutsche Post AG shareholders	1,180	1,235	541	602
attributable to non-controlling interests	71	77	39	37
Basic earnings per share (€)	**0.98**	**1.02**	**0.45**	**0.50**
Diluted earnings per share (€)	**0.94**	**1.00**	**0.43**	**0.49**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June

€m	H1 2016	H1 2017	Q2 2016	Q2 2017
Consolidated net profit for the period	**1,251**	**1,312**	**580**	**639**
Items that will not be reclassified to profit or loss				
Change due to remeasurements of net pension provisions	–1,490	484	–513	577
Other changes in retained earnings	0	0	0	0
Income taxes relating to components of other comprehensive income	49	–6	17	–35
Share of other comprehensive income of investments accounted for using the equity method (after tax)	0	0	0	0
Total (after tax)	**–1,441**	**478**	**–496**	**542**
Items that may be subsequently reclassified to profit or loss				
IAS 39 revaluation reserve				
Changes from unrealised gains and losses	–7	3	0	1
Changes from realised gains and losses	–63	–1	0	–1
IAS 39 hedging reserve				
Changes from unrealised gains and losses	21	11	–21	87
Changes from realised gains and losses	12	5	4	2
Currency translation reserve				
Changes from unrealised gains and losses	–394	–446	47	–464
Changes from realised gains and losses	0	0	0	0
Income taxes relating to components of other comprehensive income	3	–5	5	–27
Share of other comprehensive income of investments accounted for using the equity method (after tax)	1	–5	1	–4
Total (after tax)	**–427**	**–438**	**36**	**–406**
Other comprehensive income (after tax)	**–1,868**	**40**	**–460**	**136**
Total comprehensive income	**–617**	**1,352**	**120**	**775**
attributable to Deutsche Post AG shareholders	–678	1,291	81	754
attributable to non-controlling interests	61	61	39	21

BALANCE SHEET

€m	31 Dec. 2016	30 June 2017
ASSETS		
Intangible assets	12,554	12,231
Property, plant and equipment	8,389	8,121
Investment property	23	22
Investments accounted for using the equity method	97	94
Non-current financial assets	689	696
Other non-current assets	222	244
Deferred tax assets	2,192	2,234
Non-current assets	**24,166**	**23,642**
Inventories	275	343
Current financial assets	374	188
Trade receivables	7,965	7,900
Other current assets	2,176	2,619
Income tax assets	232	245
Cash and cash equivalents	3,107	1,653
Assets held for sale	0	0
Current assets	**14,129**	**12,948**
Total ASSETS	**38,295**	**36,590**
EQUITY AND LIABILITIES		
Issued capital	1,211	1,209
Capital reserves	2,932	2,964
Other reserves	−284	−706
Retained earnings	7,228	7,747
Equity attributable to Deutsche Post AG shareholders	11,087	11,214
Non-controlling interests	263	316
Equity	**11,350**	**11,530**
Provisions for pensions and similar obligations	5,580	4,801
Deferred tax liabilities	106	105
Other non-current provisions	1,498	1,470
Non-current provisions	7,184	6,376
Non-current financial liabilities	4,571	4,553
Other non-current liabilities	372	365
Non-current liabilities	4,943	4,918
Non-current provisions and liabilities	**12,127**	**11,294**
Current provisions	1,323	1,257
Current financial liabilities	1,464	1,181
Trade payables	7,178	6,408
Other current liabilities	4,292	4,352
Income tax liabilities	561	568
Liabilities associated with assets held for sale	0	0
Current liabilities	13,495	12,509
Current provisions and liabilities	**14,818**	**13,766**
Total EQUITY AND LIABILITIES	**38,295**	**36,590**

CASH FLOW STATEMENT

1 January to 30 June

€m	H1 2016	H1 2017	Q2 2016	Q2 2017
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	1,180	1,235	541	602
Consolidated net profit for the period attributable to non-controlling interests	71	77	39	37
Income taxes	203	232	94	113
Net finance costs	171	182	78	89
Profit from operating activities (EBIT)	**1,625**	**1,726**	**752**	**841**
Depreciation, amortisation and impairment losses	653	721	327	374
Net income from disposal of non-current assets	−59	−60	13	−3
Non-cash income and expense	−10	15	−17	12
Change in provisions	−1,351	−302	−1,173	−209
Change in other non-current assets and liabilities	13	−28	28	−23
Dividend received	1	1	0	1
Income taxes paid	−224	−325	−135	−155
Net cash from/used in operating activities before changes in working capital	**648**	**1,748**	**−205**	**838**
Changes in working capital				
Inventories	12	−76	41	−68
Receivables and other current assets	−503	−676	43	4
Liabilities and other items	−530	−180	−40	−48
Net cash used in/from operating activities	**−373**	**816**	**−161**	**726**
Subsidiaries and other business units	0	0	0	0
Property, plant and equipment and intangible assets	60	82	27	31
Investments accounted for using the equity method and other investments	80	3	0	3
Other non-current financial assets	12	10	2	3
Proceeds from disposal of non-current assets	152	95	29	37
Subsidiaries and other business units	0	−4	0	0
Property, plant and equipment and intangible assets	−1,016	−869	−439	−334
Investments accounted for using the equity method and other investments	−19	−23	0	0
Other non-current financial assets	−27	−8	−3	−3
Cash paid to acquire non-current assets	−1,062	−904	−442	−337
Interest received	24	25	13	15
Current financial assets	16	165	−3	−12
Net cash used in investing activities	**−870**	**−619**	**−403**	**−297**
Proceeds from issuance of non-current financial liabilities	1,260	15	1,250	1
Repayments of non-current financial liabilities	−20	−771	−9	−760
Change in current financial liabilities	−51	725	−39	702
Other financing activities	−101	−11	−41	15
Cash paid for transactions with non-controlling interests	0	−45	0	0
Dividend paid to Deutsche Post AG shareholders	−1,027	−1,270	−1,027	−1,270
Dividend paid to non-controlling interest holders	−3	−6	−3	−5
Purchase of treasury shares	−221	−148	−196	−1
Interest paid	−56	−75	−40	−56
Net cash used in financing activities	**−219**	**−1,586**	**−105**	**−1,374**
Net change in cash and cash equivalents	**−1,462**	**−1,389**	**−669**	**−945**
Effect of changes in exchange rates on cash and cash equivalents	−75	−65	10	−74
Changes in cash and cash equivalents associated with assets held for sale	0	0	−1	0
Changes in cash and cash equivalents due to changes in consolidated group	1	0	0	0
Cash and cash equivalents at beginning of reporting period	3,608	3,107	2,732	2,672
Cash and cash equivalents at end of reporting period	**2,072**	**1,653**	**2,072**	**1,653**

STATEMENT OF CHANGES IN EQUITY

1 January to 30 June

€m			Other reserves						
	Issued capital	Capital reserves	IAS 39 revaluation reserve	IAS 39 hedging reserve	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2016	1,211	2,385	67	–41	–15	7,427	11,034	261	11,295
Capital transactions with owner									
Dividend						–1,027	–1,027	–5	–1,032
Transactions with non-controlling interests			0	0	0	–1	–1	1	0
Changes in non-controlling interests due to changes in consolidated group							0	0	0
Issue of shares or other equity instruments	0	0				0	0	0	0
Purchase of treasury shares	–9	0				–212	–221	0	–221
Share-based payment schemes (issuance)	0	43				0	43	0	43
Share-based payment schemes (exercise)	3	–54				51	0	0	0
							–1,206	**–4**	**–1,210**
Total comprehensive income									
Consolidated net profit for the period						1,180	1,180	71	1,251
Currency translation differences					–383	0	–383	–10	–393
Change due to remeasurements of net pension provisions						–1,441	–1,441	0	–1,441
Other changes	0	0	–57	23		0	–34	0	–34
							–678	**61**	**–617**
Balance at 30 June 2016	**1,205**	**2,374**	**10**	**–18**	**–398**	**5,977**	**9,150**	**318**	**9,468**
Balance at 1 January 2017	1,211	2,932	11	3	–298	7,228	11,087	263	11,350
Capital transactions with owner									
Dividend						–1,270	–1,270	–8	–1,278
Transactions with non-controlling interests			0	0	0	0	0	0	0
Changes in non-controlling interests due to changes in consolidated group							0	0	0
Issue/retirement of treasury shares	0	27				–27	0	0	0
Purchase of treasury shares	–4	0				51	47	0	47
Changes in value between purchase and issuance of treasury shares (share-based payment schemes)	0	5				–5	0	0	0
Convertible bond	0	1				0	1	0	1
Share-based payment schemes (issuance)	0	58				0	58	0	58
Share-based payment schemes (exercise)	2	–59				57	0	0	0
							–1,164	**–8**	**–1,172**
Total comprehensive income									
Consolidated net profit for the period						1,235	1,235	77	1,312
Currency translation differences					–435	0	–435	–16	–451
Change due to remeasurements of net pension provisions						478	478	0	478
Other changes	0	0	2	11		0	13	0	13
							1,291	**61**	**1,352**
Balance at 30 June 2017	**1,209**	**2,964**	**13**	**14**	**–733**	**7,747**	**11,214**	**316**	**11,530**

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 2017 and have been reviewed.

BASIS OF PREPARATION

1 Basis of accounting

The accompanying condensed consolidated interim financial statements as at 30 June 2017 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 for interim financial reporting 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 2017 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 on the same accounting policies used in the consolidated financial statements for financial year 2016.

Notwithstanding this general principle, changes in the value of the stock appreciation rights (SARs) of Board of Management members and executives due to share price movements occurring after the date the SARs were granted are no longer included in staff costs starting on 1 January 2017. They are instead recognised as other finance costs in net finance costs. No adjustment was made to the prior-period amounts, in which the changes in value were still reported in staff costs, because the effects were not material for the consolidated financial statements.

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.

For further information on the accounting policies applied, please refer to the consolidated financial statements for the year ended 31 December 2016, on which these interim financial statements are based.

2 Consolidated group

The consolidated group includes all companies controlled by Deutsche Post AG.

The Group companies are consolidated from the date on which Deutsche Post DHL Group is able to exercise control.

The companies listed in the table below are consolidated in addition to the parent company Deutsche Post AG.

Consolidated group

	31 Dec. 2016	30 June 2017
Number of fully consolidated companies (subsidiaries)		
German	132	132
Foreign	655	654
Number of joint operations		
German	1	1
Foreign	1	1
Number of investments accounted for using the equity method		
German	0	0
Foreign	12	13

In the first quarter of 2017, 22.56% of the shares of Israel-based Global-E Online Ltd. were acquired. The company is accounted for in the consolidated financial statements using the equity method.

2.1 Acquisitions

No companies required to be fully consolidated were acquired in the first half of the year.

Preliminary purchase price allocation for UK Mail Group plc and UK Mail Limited, United Kingdom, which were acquired in December 2016, was disclosed in the consolidated financial statements for the year ended 31 December 2016. At that time, not all of the information necessary for final purchase price allocation was available. This resulted in preliminary goodwill of €201 million. Final purchase price allocation was completed in the first quarter of 2017 and did not result in any adjustment of the preliminary purchase price allocation disclosed initially.

2.2 Disposal and deconsolidation effects

There were no disposal or deconsolidation effects in the first half of 2017.

3 Significant transactions

By way of a resolution of the Board of Management dated 21 March 2017, a capital reduction was implemented through retirement of 27.3 million treasury shares, note 9.

INCOME STATEMENT DISCLOSURES

4 Other operating income

€m

	H1 2016	H1 2017
Income from the reversal of provisions	96	111
Insurance income	98	101
Gains on disposal of non-current assets	94	89
Income from currency translation differences	117	83
Income from work performed and capitalised	33	74
Income from fees and reimbursements	61	61
Commission income	61	59
Reversals of impairment losses on receivables and other assets	77	48
Rental and lease income	51	48
Income from the remeasurement of liabilities	48	40
Income from derivatives	25	34
Income from prior-period billings	14	25
Income from loss compensation	13	14
Income from the derecognition of liabilities	7	11
Subsidies	3	8
Recoveries on receivables previously written off	6	5
Miscellaneous	174	175
Total	**978**	**986**

The increase in income from work performed and capitalised is largely attributable to the expanded production of electric cars by StreetScooter GmbH for Group companies.

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

5 Depreciation, amortisation and impairment losses

The depreciation, amortisation and impairment losses item totalling €721 million includes €13 million in impairment losses. Of this amount, €10 million related to aircraft for sale in the Express segment, for which a final impairment loss was recognised prior to their reclassification to assets held for sale, writing the aircraft down in full. Moreover, an impairment loss of €3 million was recognised on technical equipment and machinery in the Supply Chain segment. In the prior-year period, €3 million related to impairment losses on property, plant and equipment in the Supply Chain segment.

6 Other operating expenses

€m

	H1 2016	H1 2017
Expenses for advertising and public relations	172	188
Cost of purchased cleaning and security services	177	187
Insurance costs	172	168
Travel and training costs	151	163
Warranty expenses, refunds and compensation payments	137	156
Other business taxes	126	128
Telecommunication costs	116	112
Write-downs of current assets	107	98
Currency translation expenses	119	86
Office supplies	78	85
Entertainment and corporate hospitality expenses	71	81
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	61	69
Customs clearance-related charges	51	65
Consulting costs (including tax advice)	65	59
Contributions and fees	49	52
Voluntary social benefits	38	44
Expenses from derivatives	27	37
Losses on disposal of assets	33	31
Commissions paid	31	31
Monetary transaction costs	23	28
Legal costs	31	25
Audit costs	16	16
Expenses from prior-period billings	8	13
Donations	11	12
Miscellaneous	255	239
Total	**2,125**	**2,173**

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

7 Earnings per share

Basic earnings per share in the reporting period were €1.02 (previous year: €0.98).

Basic earnings per share

		H1 2016	H1 2017
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,180	1,235
Weighted average number of shares outstanding	number	1,209,234,626	1,208,557,844
Basic earnings per share	€	**0.98**	**1.02**

Diluted earnings per share in the reporting period were €1.00 (previous year: €0.94).

Diluted earnings per share

		H1 2016	H1 2017
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,180	1,235
Plus interest expense on the convertible bond	€m	2	1
Less income taxes	€m	0[1]	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,182	1,236
Weighted average number of shares outstanding	number	1,209,234,626	1,208,557,844
Potentially dilutive shares	number	51,189,641	30,153,575
Weighted average number of shares for diluted earnings	number	1,260,424,267	1,238,711,419
Diluted earnings per share	€	**0.94**	**1.00**

[1] Rounded below €1 million.

BALANCE SHEET DISCLOSURES

8 Intangible assets and property, plant and equipment

Investments in intangible assets (not including goodwill) and property, plant and equipment amounted to €685 million in the first half of 2017 (previous year: €867 million).

Investments

€m

	30 June 2016	30 June 2017
Intangible assets (not including goodwill)	77	82
Property, plant and equipment		
Land and buildings (including leasehold improvements)	43	42
Technical equipment and machinery	49	48
Transport equipment	74	51
Aircraft	38	34
IT equipment	36	41
Operating and office equipment	35	32
Advance payments and assets under development	515	355
	790	**603**
Total	**867**	**685**

Goodwill changed as follows in the reporting period:

Change in goodwill

€m

	2016	2017
Cost		
Balance at 1 January	12,704	12,791
Additions from business combinations	236	0
Disposals	−4	0
Currency translation differences	−145	−304
Balance at 31 December/30 June	**12,791**	**12,487**
Impairment losses		
Balance at 1 January	1,159	1,133
Disposals	0	0
Currency translation differences	−26	−24
Balance at 31 December/30 June	**1,133**	**1,109**
Carrying amount at 31 December/30 June	**11,658**	**11,378**

9 Issued capital and purchase of treasury shares

KfW Bankengruppe (KfW) held a 20.9% interest in the share capital of Deutsche Post AG as at 30 June 2017. The remaining 79.1% of the shares are in free float.

KfW holds the shares in trust for the Federal Republic of Germany (the federal government).

Changes in issued capital and treasury shares

€

	2016	2017
Issued capital		
Balance at 1 January	1,212,753,687	1,240,915,883
Addition due to contingent capital increase (convertible bond)	28,162,196	24,268
Capital reduction through retirement of treasury shares	0	−27,300,000
Balance at 31 December/30 June	**1,240,915,883**	**1,213,640,151**
Treasury shares		
At 1 January	−1,568,593	−29,587,229
Purchase of treasury shares	−30,896,650	−4,660,410
Capital reduction through retirement of treasury shares	0	27,300,000
Sale of treasury shares	48,106	0
Issuance of treasury shares	2,829,908	2,434,057
Balance at 31 December/30 June	**−29,587,229**	**−4,513,582**
Total at 31 December/30 June	**1,211,328,654**	**1,209,126,569**

The issued capital is composed of 1,213,640,151 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1.00 per share, and is fully paid up.

A contingent capital increase in January and March 2017 resulted from various bond holders exercising additional conversion rights.

Tranche III of the share buyback programme that had begun on 1 April 2016 ended on 6 March 2017. In the first quarter, 3.3 million shares were acquired for €106 million at an average price of €31.65. A total of 32.9 million shares were acquired for €911 million through the share buyback programme. By way of a resolution of the Board of Management dated 21 March 2017, 27.3 million treasury shares held were retired in the course of a capital reduction.

In March 2017, 1,297,200 shares were acquired for a total amount of €41 million (average price of €31.60 per share) in order to settle the 2016 tranche of the Share Matching Scheme. Another 23,037 shares were purchased for an average price of €31.67 per share and issued to the executives concerned in April. In May 2017, the rights to matching shares under the 2012 tranche were settled and 1,113,820 shares were issued to executives.

As at 30 June 2017, Deutsche Post AG held 4,513,582 treasury shares.

10 Capital reserves

€m	2016	2017
Capital reserves at 1 January	2,385	2,932
Share Matching Scheme		
Addition	53	47
Exercise	–54	–59
Total for Share Matching Scheme	**–1**	**–12**
Performance Share Plan		
Addition	17	11
Total for Performance Share Plan	**17**	**11**
Capital reduction through retirement of treasury shares	0	27
Changes in value between purchase and issuance of treasury shares	0	5
Capital increase through exercise of conversion rights under convertible bond	531	1
Capital reserves at 31 December/30 June	**2,932**	**2,964**

The rights to matching shares under the 2012 tranche were settled, and the rights to deferred incentive and investment shares under the 2016 tranche were granted in April and May 2017.

11 Retained earnings

Changes in retained earnings are presented in the statement of changes in equity.

€m	2016	2017
Retained earnings at 1 January	7,427	7,228
Dividend payment	–1,027	–1,270
Consolidated net profit for the period	2,639	1,235
Change due to remeasurements of net pension provisions	–866	478
Transactions with non-controlling interests	4	0
Capital reduction through retirement of treasury shares	0	–27
Other changes, of which	–949	103
Share Matching Scheme	21	16
Share buyback under tranches I to III	–775	–103
Obligation to repurchase shares under tranche III/ derecognition	–195	195
Changes in value between purchase and issuance of treasury shares	0	–5
Retained earnings at 31 December/30 June	**7,228**	**7,747**

As at 31 December 2016, the obligation to repurchase shares as part of tranche III of the share buyback programme was recognised in the amount of €195 million for the buyback transactions yet to be carried out. By March 2017 the buyback transactions undertaken had decreased the obligation. The remaining obligation of €89 million was derecognised directly in equity when the share buyback programme ended.

SEGMENT REPORTING

12 Segment reporting

Segments by division

€m	PeP[1]		Express[1]		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1,2]		Group	
1 Jan. to 30 June	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
External revenue	8,267	8,743	6,471	7,168	6,402	6,783	6,879	6,959	43	43	0	0	**28,062**	**29,696**
Internal revenue	77	70	160	177	350	375	55	79	572	534	−1,214	−1,235	**0**	**0**
Total revenue	8,344	8,813	6,631	7,345	6,752	7,158	6,934	7,038	615	577	−1,214	−1,235	**28,062**	**29,696**
Profit/loss from operating activities (EBIT)	663	684	773	865	120	107	229	223	−159	−153	−1	0	**1,625**	**1,726**
of which net income/loss from investments accounted for using the equity method	0	0	0	1	0	0	1	1	0	0	0	0	**1**	**2**
Segment assets[3]	6,418	6,601	9,786	9,657	7,798	7,676	6,253	6,139	1,557	1,594	−79	−79	**31,733**	**31,588**
of which investments accounted for using the equity method	20	26	48	41	25	23	3	3	0	0	1	0	**97**	**93**
Segment liabilities[3]	3,087	3,108	3,528	3,167	2,930	2,795	3,290	3,003	1,486	1,480	−59	−59	**14,262**	**13,494**
Net segment assets/liabilities	3,331	3,493	6,258	6,490	4,868	4,881	2,963	3,136	71	114	−20	−20	**17,471**	**18,094**
Capex	187	201	396	263	22	37	184	136	77	49	1	−1	**867**	**685**
Depreciation and amortisation	157	176	207	252	40	34	144	147	101	99	1	0	**650**	**708**
Impairment losses	0	0	0	10	0	0	3	3	0	0	0	0	**3**	**13**
Total depreciation, amortisation and impairment losses	157	176	207	262	40	34	147	150	101	99	1	0	**653**	**721**
Other non-cash income (–) and expenses (+)	77	39	148	149	25	41	152	111	22	76	−1	0	**423**	**416**
Employees[4]	172,717	176,000	81,615	84,277	43,060	42,758	145,788	147,536	10,811	10,947	−1	0	**453,990**	**461,518**
Q2														
External revenue	4,034	4,234	3,372	3,664	3,250	3,425	3,512	3,469	21	21	1	0	**14,190**	**14,813**
Internal revenue	38	34	78	86	175	187	29	46	288	284	−608	−637	**0**	**0**
Total revenue	4,072	4,268	3,450	3,750	3,425	3,612	3,541	3,515	309	305	−607	−637	**14,190**	**14,813**
Profit/loss from operating activities (EBIT)	249	259	418	469	69	67	102	124	−87	−79	1	1	**752**	**841**
of which net income/loss from investments accounted for using the equity method	0	0	0	1	0	0	0	0	0	0	0	0	**0**	**1**
Capex	113	98	205	131	12	19	84	75	40	28	2	0	**456**	**351**
Depreciation and amortisation	79	88	103	134	20	17	72	72	50	49	2	1	**326**	**361**
Impairment losses	0	0	0	10	0	0	1	3	0	0	0	0	**1**	**13**
Total depreciation, amortisation and impairment losses	79	88	103	144	20	17	73	75	50	49	2	1	**327**	**374**
Other non-cash income (–) and expenses (+)	35	47	100	79	10	23	68	52	7	11	−1	−1	**219**	**211**

[1] Prior-period amounts adjusted.
[2] Including rounding.
[3] As at 31 December 2016 and 30 June 2017.
[4] Average FTEs; prior-period amount covers financial year 2016.

Information about geographical areas

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 30 June	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
External revenue	8,787	8,903	8,473	8,915	4,916	5,382	4,770	5,311	1,116	1,185	**28,062**	**29,696**
Non-current assets[1]	5,498	5,364	7,328	7,265	4,279	4,080	3,562	3,383	377	360	**21,044**	**20,452**
Capex	360	313	238	121	179	178	77	57	13	16	**867**	**685**
Q2												
External revenue	4,307	4,329	4,339	4,480	2,518	2,707	2,466	2,702	560	595	**14,190**	**14,813**
Capex	196	158	115	68	97	88	41	30	7	7	**456**	**351**

[1] As at 31 December 2016 and 30 June 2017.

Adjustment of prior-period amounts

Adjustments to prior-period amounts resulted from assigning companies to different segments. DHL Parcel Iberia S.L. (Spain), Danzas S.L. (Spain) and DHL Parcel Portugal (Portugal), which were formerly part of the Express segment, were reassigned to the Post - eCommerce - Parcel segment effective 1 January 2017.

Reconciliation

€m	H1 2016	H1 2017
Total income of reportable segments	1,785	1,879
Corporate Center/Other	–159	–153
Reconciliation to Group/Consolidation	–1	0
Profit from operating activities (EBIT)	**1,625**	**1,726**
Net finance costs	**–171**	**–182**
Profit before income taxes	**1,454**	**1,544**
Income taxes	–203	–232
Consolidated net profit for the period	**1,251**	**1,312**

OTHER DISCLOSURES

13 Cash flow statement

In the first quarter of 2017, 18 properties were contributed to Deutsche Post Pensions-Treuhand GmbH & Co. KG. Although income was recognised as a result of the contribution, no cash or cash equivalents were received. This transaction was therefore not included in the cash flow statement in accordance with IAS 7.43 and 7.44.

14 Disclosures on financial instruments

The following table presents financial instruments recognised at fair value and financial instruments whose fair value is required to be disclosed. Each class is presented by the level in the fair value hierarchy to which it is assigned.

The simplification option under IFRS 7.29a was exercised for cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values. Not included are financial investments in equity instruments for which there is no quoted price in an active market and which therefore have to be measured at cost.

Financial assets and liabilities

€m

Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
30 June 2017				
Non-current financial assets	173	511	0	**684**
Current financial assets	0	74	0	**74**
Financial assets	**173**	**585**	**0**	**758**
Non-current financial liabilities	4,741	329	11	**5,081**
Current financial liabilities	23	63	4	**90**
Financial liabilities	**4,764**	**392**	**15**	**5,171**
31 December 2016				
Non-current financial assets	166	512	0	**678**
Current financial assets	200	94	0	**294**
Financial assets	**366**	**606**	**0**	**972**
Non-current financial liabilities	4,730	384	11	**5,125**
Current financial liabilities	781	94	4	**879**
Financial liabilities	**5,511**	**478**	**15**	**6,004**

[1] Quoted prices for identical instruments in active markets.
[2] Inputs other than quoted prices directly or indirectly observable for instruments.
[3] Inputs not based on observable market data.

Level 1 mainly comprises equity instruments measured at fair value and debt instruments measured at amortised cost.

In addition to financial assets and financial liabilities measured at amortised cost, commodity, interest rate and currency derivatives are reported under Level 2. The fair values of the derivatives are measured on 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 from standard market information platforms into the treasury management system. The price quotations reflect actual transactions involving similar instruments in an active market. Any currency options used are measured using the Black-Scholes option pricing model. All significant inputs used to measure derivatives are observable in the 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 that reflect plausible assumptions. The fair values of the derivatives depend largely on financial ratios. Financial ratios strongly influence the fair values of assets and liabilities. Increasing financial ratios lead to higher fair values, whilst decreasing financial ratios result in lower fair values.

No financial instruments have been transferred between levels in the current financial year.

The table below shows the effects on profit or loss and other comprehensive income of the financial instruments categorised within Level 3 as at 30 June 2017:

Unobservable inputs (Level 3)

€m	2016			2017		
	Assets	Liabilities		Assets	Liabilities	
	Equity instruments	Debt instruments	Derivatives, of which equity derivatives	Equity instruments	Debt instruments	Derivatives, of which equity derivatives
Balance at 1 January	83	0	0	0	15	0
Gains and losses (recognised in profit or loss)[1]	0	0	0	0	0	0
Gains and losses (recognised in OCI)[2]	0	0	0	0	0	0
Additions	0	15	0	0	0	0
Disposals	−80	0	0	0	0	0
Currency translation effects	−3	0	0	0	0	0
Balance at 31 December/30 June	**0**	**15**	**0**	**0**	**15**	**0**

[1] Fair value losses are recognised in finance costs, fair value gains in financial income.
[2] Unrealised gains and losses are recognised in the IAS 39 revaluation reserve.

Available-for-sale financial assets include shares in partnerships and corporations in the amount of €12 million (31 December 2016: €11 million). There is no active market for these instruments. As future cash flows cannot be reliably determined, fair value cannot be determined using valuation techniques. There are no plans to sell or derecognise significant shares classified as available-for-sale financial assets as at 30 June 2017 in the near future. As in the previous year, no significant shares in partnerships and corporations that are measured at cost have been sold in the current financial year.

15 Contingent liabilities and other financial obligations

The Group's contingent liabilities and other financial obligations have not changed significantly compared with 31 December 2016.

16 Related party disclosures

Tim Scharwath assumed responsibility for the Global Forwarding, Freight division with effect from 1 June 2017. As at 1 September 2017, Dr Thomas Ogilvie will assume office as Board Member for Human Resources and Labour Director. Otherwise there were no significant changes in related party disclosures as against 31 December 2016.

17 Events after the reporting date and other disclosures

There were no reportable events after the reporting date.

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 in accordance with German accepted accounting principles, 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, 7 August 2017

Deutsche Post AG
The Board of Management

Dr Frank Appel

Ken Allen

Jürgen Gerdes

John Gilbert

Melanie Kreis

Tim Scharwath

REVIEW REPORT

To Deutsche Post AG

We have reviewed the condensed consolidated interim financial statements – comprising the 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 2017, which are part of the half-yearly financial report pursuant to section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs 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 company's Board of Management. 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* (IDW – Institute of Public Auditors in Germany) 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 IFRSs 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 IFRSs 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, 7 August 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
(German public auditor)	(German public auditor)

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FINANCIAL CALENDAR 2017/2018

9 November 2017
Interim Report as at 30 September 2017

7 March 2018
2017 Annual Report

24 April 2018
2018 Annual General Meeting

27 April 2018
Dividend payment

8 May 2018
Interim Report as at 31 March 2018

7 August 2018
Interim Report as at 30 June 2018

6 November 2018
Interim Report as at 30 September 2018

Further dates, updates as well as information on live webcasts: @ dpdhl.com/en/investors

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