Interim Report
as at 31 March 2018

1|18

MAIL COMMUNICATION
Mail items (millions)

Q1 | 2018	2,045
Q1 | 2017	2,154

Change
–5.1%

PARCEL GERMANY
Parcels (millions)

Q1 | 2018	350
Q1 | 2017	326

Change
+7.4%

TIME DEFINITE INTERNATIONAL (TDI)
Thousands of items per day

Q1 | 2018	904
Q1 | 2017	825

Change
+9.6%

CONSOLIDATED NET PROFIT FOR THE PERIOD
€m[1]

Q1 | 2018	600
Q1 | 2017	633

Change
–5.2%

EARNINGS PER SHARE
€[2]

Q1 | 2018	0.49
Q1 | 2017	0.52

Change
–5.8%

RETURN ON SALES
%

6.1

Q1 | 2017
5.9%

REVENUE
€m

14,749

Q1 | 2017
14,883

Change
–0.9%

EBIT
Profit from operating activities, €m

905

Q1 | 2017
885

Change
+2.3%

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

Deutsche Post DHL Group

SELECTED KEY FIGURES

		Q1 2017	Q1 2018	+/– %
Revenue	€m	14,883	14,749	–0.9
Profit from operating activities (EBIT)	€m	885	905	2.3
Return on sales[1]	%	5.9	6.1	–
EBIT after asset charge (EAC)	€m	487	313	–35.7
Consolidated net profit for the period[2]	€m	633	600	–5.2
Free cash flow	€m	–430	–679	–57.9
Net debt[3]	€m	1,938	11,915	>100
Earnings per share[4]	€	0.52	0.49	–5.8
Number of employees[5]		519,544	524,586	1.0

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

CONTENTS

GENERAL INFORMATION

Organisation

As at 1 February 2018, responsibility on the Board of Management for Customer Solutions & Innovation was transferred from Frank Appel to Ken Allen. No other organisational changes were made in the first quarter of 2018 that would have a significant impact on the structure of the Group.

On 4 April 2018, Jürgen Gerdes took charge of the new board mandate for Corporate Incubations. Pending the appointment of a new head of the Post - eCommerce - Parcel division, CEO Frank Appel will take on corresponding responsibilities in a dual role.

Group management

Effective 1 January 2018, we have been applying IFRS 16, the International Financial Reporting Standard on leases, note 1 to the consolidated financial statements. Without an adjustment of its definition, this would have had a significant impact on free cash flow, a performance indicator that is relevant for internal management purposes: since the lease expenses previously reported in the income statement were replaced by an interest component and depreciation/impairment losses, net cash from operating activities increases in the amount of the previous operating lease payments. For reasons of comparability, we have therefore included interest payments and repayments of lease liabilities in free cash flow Calculation of free cash flow, page 4.

As described in the 2017 Annual Report on page 79 f., the initial application of IFRS 16 also increases consolidated EBIT, whilst EBIT after asset charge (EAC) declines to a fundamentally lower level.

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

The world economy again saw solid growth at the beginning of the year, albeit at a slower pace in some industrial nations.

In Asia, growth remained robust. Whilst the Chinese economy continued to develop steadily, economic output in Japan rose only moderately.

In the United States, both the economic upswing and the upwards trend in gross fixed capital formation continued. Private consumption grew less dynamically but it remained the most important growth driver. Foreign trade had a dampening effect. The US Federal Reserve increased its key interest rate by 0.25 percentage points to 1.50% to 1.75%.

In the euro zone, the economy lost momentum. Whilst the upswing in investments continued, growth in private consumption weakened. Despite rising exports, foreign trade did not provide noticeable momentum. The already moderate inflation rate eased slightly. The European Central Bank kept its key interest rate at 0.00% and continued its bond-buying programme as planned.

The German economy grew moderately in the first quarter of 2018. Private consumption and gross fixed capital formation provided only moderate impetus. In addition, foreign trade slowed growth. The economic slowdown ultimately also had an effect on corporate sentiment: the ifo Business Climate Index declined considerably in February and March.

Significant events

In the first quarter of 2018 there were no events that materially affected the Group's net assets, financial position and results of operations.

Leases are presented more extensively as a result of the initial application of IFRS 16, note 1 to the consolidated financial statements. This has a significant impact on the presentation of the Group's net assets, financial position and results of operations.

Results of operations

Selected indicators for results of operations

		Q1 2017	Q1 2018
Revenue	€m	14,883	14,749
Profit from operating activities (EBIT)	€m	885	905
Return on sales[1]	%	5.9	6.1
EBIT after asset charge (EAC)	€m	487	313
Consolidated net profit for the period[2]	€m	633	600
Earnings per share[3]	€	0.52	0.49

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

Portfolio unchanged

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

Consolidated revenue falls slightly

Consolidated revenue declined by €134 million to €14,749 million in the first quarter of 2018, primarily because currency effects reduced it by €779 million. The proportion of revenue generated abroad decreased from 69.3% to 68.1%.

Other operating income dropped from €519 million to €483 million due, amongst other things, to a decline in gains on the disposal of non-current assets.

Depreciation, amortisation and impairment losses higher

Materials expense decreased by €522 million to €7,501 million. The decline is attributable mainly to currency effects amounting to €478 million and the discontinuation of lease expenses as a result of the initial application of IFRS 16. At €4,964 million, staff costs were lower year-on-year, also chiefly due to currency effects. The application of IFRS 16 in particular caused depreciation, amortisation and impairment losses to rise sharply, by €422 million, to €769 million. Other operating expenses grew from €1,045 million to €1,094 million, amongst other things because of negative effects from customer contracts in the Supply Chain division.

Consolidated EBIT up 2.3%

At €905 million, profit from operating activities (EBIT) improved by 2.3% over the previous year's figure (€885 million) in the first quarter of 2018. Net finance costs grew, due in particular to the interest expense on lease liabilities, from €93 million to €135 million. Profit before income taxes decreased by €22 million to €770 million. In contrast, income taxes rose due to a higher tax rate, increasing by €20 million to €139 million.

Consolidated net profit below prior-year level

At €631 million, consolidated net profit in the reporting period was below the prior-year level (€673 million). Of the total, €600 million was attributable to Deutsche Post AG shareholders and €31 million to non-controlling interest holders. Basic earnings per share declined slightly from €0.52 to €0.49 and diluted earnings per share from €0.51 to €0.48.

Changes in revenue, other operating income and operating expenses, Q1 2018

	€m	+/– %	
Revenue	14,749	–0.9	• Currency effects reduce figure by €779 million
Other operating income	483	–6.9	• Higher prior-year gains on disposal of non-current assets
Materials expense	7,501	–6.5	• Currency effects reduce figure by €478 million • Reduction due to initial application of IFRS 16
Staff costs	4,964	–2.7	• Currency effects reduce figure by €196 million
Depreciation, amortisation and impairment losses	769	>100	• Increase due to initial application of IFRS 16
Other operating expenses	1,094	4.7	• Contain negative effects from customer contracts

EAC down

EAC declined in the first quarter of 2018, from €487 million to €313 million. The imputed asset charge rose sharply due to the lease assets newly recognised in accordance with IFRS 16, which more than offset the increase in EBIT.

EBIT after asset charge (EAC)

€m	Q1 2017	Q1 2018	+/– %
EBIT	885	905	2.3
– Asset charge	–398	–592	–48.7
= EAC	487	313	–35.7

Financial position

Selected cash flow indicators

€m	Q1 2017	Q1 2018
Cash and cash equivalents as at 31 March	2,672	2,403
Change in cash and cash equivalents	–444	–704
Net cash from operating activities	90	368
Net cash used in investing activities	–322	–535
Net cash used in financing activities	–212	–537

Liquidity situation remains solid

The principles and aims of our financial management as presented in the 2017 Annual Report beginning on page 56 remain valid and continue to be pursued as part of our finance strategy.

The FFO to debt performance metric decreased in the first quarter of 2018 compared with 31 December 2017, because debt increased and funds from operations decreased. Reported financial liabilities rose because lease liabilities are now included in reported financial liabilities in accordance with IFRS 16. The adjustment for pensions rose due to higher pension obligations and lower plan assets. Surplus cash and near-cash investments fell, mainly as a result of the annual pension-related prepayment to the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency) due in the first quarter. The amount of interest paid went up because interest paid for leases is now included.

FFO to debt

€m	1 Jan. to 31 Dec. 2017	1 April 2017 to 31 March 2018
Operating cash flow before changes in working capital	3,418	3,829
+ Interest received	52	54
– Interest paid	160	248
+ Adjustment for operating leases	1,641	1,231
+ Adjustment for pensions	567	458
= Funds from operations, FFO	**5,518**	**5,324**
Reported financial liabilities[1]	6,050	15,106
– Financial liabilities at fair value through profit or loss[1]	44	36
+ Adjustment for operating leases[1]	9,406	0
+ Adjustment for pensions[1]	4,323	4,488
– Surplus cash and near-cash investments[1,2]	2,503	1,760
= Debt	**17,232**	**17,798**
FFO to debt (%)	**32.0**	**29.9**

[1] As at 31 December 2017 and 31 March 2018, respectively.
[2] Reported cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

Our credit quality as rated by Moody's Investors Service and Fitch Ratings has not changed from the ratings described and projected in the 2017 Annual Report beginning on page 59. 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 31 March 2018, the Group had cash and cash equivalents of €2.4 billion.

Investments in assets acquired at prior-year level

Investments in property, plant and equipment and intangible assets (not including goodwill) for assets acquired amounted to €327 million in the first quarter of 2018 (previous year: €333 million). Please refer to notes 10 and 15 to the consolidated financial statements for a breakdown of capital expenditure into asset classes and regions.

In the Post - eCommerce - Parcel division, the largest capex portion was attributable to the expansion of our eCommerce - Parcel business unit on a domestic and international level and to production of our StreetScooter electric vehicles.

Capex and depreciation, amortisation and impairment losses, Q1

	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Capex (€m) relating to assets acquired	103	129	132	80	17	20	61	70	21	28	−1	0	**333**	**327**
Capex (€m) relating to leased assets	0	28	0	120	1	37	0	113	0	171	0	0	**1**	**469**
Total (€m)	**103**	**157**	**132**	**200**	**18**	**57**	**61**	**183**	**21**	**199**	**−1**	**0**	**334**	**796**
Depreciation, amortisation and impairment losses (€m)	88	106	118	267	17	56	75	192	50	149	−1	−1	**347**	**769**
Ratio of total capex to depreciation, amortisation and impairment losses	1.17	1.48	1.12	0.75	1.06	1.02	0.81	0.95	0.42	1.34	–	–	**0.96**	**1.04**

[1] Including rounding.

In the Express division, we invested in the expansion of our hubs, primarily in Madrid and Cincinnati, as well as in the expansion of the sorting and distribution centres in Hong Kong, Linz and Singapore. Continuous maintenance and renewal of our aircraft fleet represented an additional focus of investment spending.

In the Global Forwarding, Freight division, we invested in warehouses, office buildings and IT.

In the Supply Chain division, the majority of funds was used to support new business, mostly in the EMEA and Americas regions.

Cross-divisional capex increased in the reporting period because we made larger investments in IT equipment.

Higher operating cash flow

All non-cash income and expenses were adjusted based upon EBIT, which at €905 million was slightly above the previous year's level (€885 million). Depreciation, amortisation and impairment losses rose from €347 million to €769 million due to the initial recognition of lease assets. The implementation of IFRS 16 was the main reason for the significant increase (by €411 million) in net cash from operating activities before changes in working capital, to €1,321 million. The cash outflow from changes in working capital grew by €133 million, primarily due to an increase in receivables and other current assets.

Net cash used in investing activities amounted to €535 million, up from the previous year's figure (€322 million), which had included a cash inflow of €200 million from the sale of money market funds.

Calculation of free cash flow

€m

	Q1 2017	Q1 2018
Net cash from operating activities	**90**	**368**
Sale of property, plant and equipment and intangible assets	51	22
Acquisition of property, plant and equipment and intangible assets	−535	−557
Cash outflow from change in property, plant and equipment and intangible assets	**−484**	**−535**
Disposals of subsidiaries and other business units	0	0
Disposals of investments accounted for using the equity method and other investments	0	0
Acquisition of subsidiaries and other business units	−4	−2
Acquisition of investments accounted for using the equity method and other investments	−23	−17
Cash outflow from acquisitions/divestitures	**−27**	**−19**
Repayment of lease liabilities	–	−398
Interest on lease liabilities	–	−89
Cash outflow from leases	**–**	**−487**
Interest received	10	12
Interest paid (not including leases)	−19	−18
Net interest paid	**−9**	**−6**
Free cash flow	**−430**	**−679**

In order to ensure the comparability of free cash flow figures, the net cash used for interest payments and the repayment of lease liabilities has been included in addition to depreciation of and impairment losses on lease assets. Free cash flow deteriorated from €–430 million to €–679 million for reasons including a €51 million increase in the cash outflow from the change in property, plant and equipment and intangible assets compared with the prior-year figure (€484 million) and an increase in the cash outflow from changes in working capital.

At €537 million, net cash used in financing activities was €325 million higher than in the prior-year period (€212 million). Lease payments in particular were responsible for the increase in the reporting period. In the previous year, the purchase of treasury shares had led to a cash outflow of €147 million.

Cash and cash equivalents declined from €3,135 million as at 31 December 2017 to €2,403 million.

Net assets

Selected indicators for net assets

		31 Dec. 2017	31 March 2018
Equity ratio	%	33.4	27.7
Net debt	€m	1,938	11,915
Net interest cover[1]		98.3	9.5
Net gearing	%	13.1	47.5

[1] In the first quarter.

Consolidated total assets up sharply

The Group's total assets amounted to €47,599 million as at 31 March 2018, €8,927 million higher than at 31 December 2017 (€38,672 million).

Non-current assets increased substantially due to the initial application of IFRS 16. The recognition of right-of-use assets under leases increased property, plant and equipment by €9.1 billion. Other current assets rose by €646 million to €2,830 million. This figure includes the deferred expense of €335 million at the reporting date for the prepaid annual contribution to civil servant pensions to the *Bundesanstalt für Post und Telekommunikation*. The €732 million decrease in cash and cash equivalents to €2,403 million is described in the section entitled Financial position, page 4 f.

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders rose by €235 million to €12,872 million: consolidated net profit for the period and a capital increase in connection with the convertible bond increased this figure, whilst actuarial losses decreased it. Financial liabilities were up considerably from €6,050 million to €15,106 million, due in large part to the initial recognition of lease liabilities in the amount of €9.2 billion. Trade payables decreased substantially from €7,343 million to €6,385 million. Other current liabilities rose from €4,402 million to €5,001 million, mainly because of an increase in liabilities to employees. At €7,068 million, provisions were at the prior-year level.

Net debt increases to €11,915 million

Our net debt rose from €1,938 million as at 31 December 2017 to €11,915 million as at 31 March 2018 on account of the increase in lease liabilities. In the first quarter of the year, we also pay our regular annual contribution to the *Bundesanstalt für Post und Telekommunikation*, currently amounting to €462 million. At 27.7%, the equity ratio was well below the figure at 31 December 2017 (33.4%), primarily because the initial application of IFRS 16 caused total assets to rise. The net interest cover ratio indicates the extent to which net interest obligations are covered by EBIT. This figure declined from 98.3 to 9.5 due to interest payments on lease liabilities incurred as a result of the implementation of IFRS 16. Net gearing was 47.5% as at 31 March 2018.

Net debt

€m

	31 Dec. 2017	31 March 2018
Non-current financial liabilities	5,101	12,548
+ Current financial liabilities	794	2,421
= Financial liabilities[1]	**5,895**	**14,969**
– Cash and cash equivalents	3,135	2,403
– Current financial assets	652	644
– Positive fair value of non-current financial derivatives[2]	170	7
= Financial assets	**3,957**	**3,054**
Net debt	**1,938**	**11,915**

[1] Less operating financial liabilities.
[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	Q1 2017 adjusted[1]	Q1 2018	+/– %
Revenue	4,545	4,622	1.7
of which Post	2,558	2,520	–1.5
eCommerce - Parcel	2,053	2,164	5.4
Other/Consolidation Post	–66	–62	6.1
Profit from operating activities (EBIT)	425	383	–9.9
of which Germany	412	391	–5.1
International Parcel and eCommerce	13	–8	<–100
Return on sales (%)[2]	9.4	8.3	–
Operating cash flow	176	–118	<–100

[1] Conversion of reporting to the business unit consolidated view and reclassification of business areas.
[2] EBIT/revenue.

Revenue above prior-year level despite fewer working days

In the first quarter of 2018, revenue in the division was €4,622 million, 1.7% above the prior-year figure of €4,545 million, although there were 1.6 fewer working days in Germany. Growth continued to be driven by the eCommerce - Parcel business unit. Negative currency effects of €57 million were recorded in the reporting period.

Post business unit experiences slight revenue decline

In the Post business unit, revenue was €2,520 million in the first quarter of 2018 and thus 1.5% below the prior-year level of €2,558 million. Volumes declined by 4.3%.

As expected, revenue and volumes in the Mail Communication business remained in decline on the whole, due mainly to electronic substitution but also because of the fewer working days in the quarter. In the Dialogue Marketing business, revenue and volumes fell in the reporting period, in part because the first quarter of the previous year benefited from special circumstances, such as elections for the boards of social security institutions. In the cross-border mail business, we raised revenue significantly due to the ongoing trend towards merchandise shipments.

Post: revenue

€m	Q1 2017 adjusted[1]	Q1 2018	+/– %
Mail Communication	1,651	1,659	0.5
Dialogue Marketing	580	554	–4.5
Other/Consolidation Post	327	307	–6.1
Total	**2,558**	**2,520**	**–1.5**

[1] Conversion of reporting to the business unit consolidated view and reclassification of business areas.

Post: volumes

Mail items (millions)	Q1 2017 adjusted[1]	Q1 2018	+/– %
Total	4,830	4,623	–4.3
of which Mail Communication	2,154	2,045	–5.1
of which Dialogue Marketing	2,248	2,162	–3.8

[1] Conversion of reporting to the business unit consolidated view and reclassification of business areas.

eCommerce - Parcel business unit continues to grow

Revenue in the business unit was €2,164 million in the reporting period, exceeding the prior-year figure of €2,053 million by 5.4%.

Revenue in the Parcel Germany business increased by 6.3% to €1,320 million (previous year: €1,242 million). Volumes rose by 7.4% to 350 million parcels.

In the Parcel Europe business, revenue grew by 9.9% to €534 million (previous year: €486 million).

In the DHL eCommerce business, revenue was €392 million in the first quarter, exceeding the prior-year figure by 2.6%. Excluding negative currency effects, growth was 16.8%.

eCommerce - Parcel: revenue

€m	Q1 2017 adjusted[1]	Q1 2018	+/– %
Parcel Germany	1,242	1,320	6.3
Parcel Europe[2]	486	534	9.9
Consolidation Parcel	–57	–82	–43.9
Parcel total	**1,671**	**1,772**	**6.0**
DHL eCommerce[3]	382	392	2.6
Total	**2,053**	**2,164**	**5.4**

[1] Conversion of reporting to the business unit consolidated view and reclassification of business areas.
[2] Excluding Germany.
[3] Outside Europe.

Parcel Germany: volumes

Parcels (millions)	Q1 2017 adjusted[1]	Q1 2018	+/– %
Total	326	350	7.4

[1] Conversion of reporting to the business unit consolidated view.

EBIT declines

EBIT in the division decreased by 9.9% to €383 million in the first quarter of 2018 (previous year: €425 million). This was driven mainly by increased material and labour costs as well as ongoing investments in the parcel network, which were in part offset by a positive non-recurring effect from the remeasurement of pension obligations in the amount of €108 million. Return on sales fell to 8.3% (previous year: 9.4%). Operating cash flow was €–118 million and therefore below the prior-year level due to higher cash outflows in working capital.

EXPRESS DIVISION

Key figures of the EXPRESS division

€m	Q1 2017	Q1 2018	+/– %
Revenue	3,595	3,772	4.9
of which Europe	1,595	1,746	9.5
Americas	718	748	4.2
Asia Pacific	1,333	1,322	–0.8
MEA (Middle East and Africa)	280	275	–1.8
Consolidation/Other	–331	–319	3.6
Profit from operating activities (EBIT)	396	461	16.4
Return on sales (%)[1]	11.0	12.2	–
Operating cash flow	340	621	82.6

[1] EBIT/revenue.

International business continues to grow

Revenue in the division increased by 4.9% to €3,772 million in the first quarter of 2018 (previous year: €3,595 million). This included negative currency effects of €297 million. Excluding these effects, the increase in revenue was 13.2%. 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 10.7%.

In the Time Definite International (TDI) product line, revenues per day increased by 12.6% and per-day shipment volumes by 9.6% in the reporting period.

In the Time Definite Domestic (TDD) product line, revenues per day were up by 9.8% in the first quarter of 2018 and per-day shipment volumes by 10.1%.

EXPRESS: revenue by product

€m per day[1]	Q1 2017 adjusted	Q1 2018	+/– %
Time Definite International (TDI)	42.1	47.4	12.6
Time Definite Domestic (TDD)	4.1	4.5	9.8

[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: volumes by product

Thousands of items per day[1]	Q1 2017 adjusted	Q1 2018	+/– %
Time Definite International (TDI)	825	904	9.6
Time Definite Domestic (TDD)	435	479	10.1

[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.

Dynamic in the Europe region continues

Revenue in the Europe region increased by 9.5% to €1,746 million in the reporting period (previous year: €1,595 million). This included negative currency effects of €31 million, which related mainly to Turkey and the United Kingdom. Excluding these effects, revenue growth was 11.4%. In the TDI product line, revenues per day increased by 14.8%. Per-day shipment volumes improved by 10.6%.

Sharp improvement in volumes in the Americas region

In the Americas region, revenue increased by 4.2% to €748 million in the first quarter of 2018 (previous year: €718 million). This included negative currency effects of €103 million, which related primarily to the United States. Excluding these effects, revenue in the region rose by 18.5%. In the TDI product line, per-day shipments were up by 17.2% compared with the previous year. Revenues per day increased by 16.9%.

Operating business in the Asia Pacific region experiences stable growth

In the Asia Pacific region, revenue decreased by 0.8% to €1,322 million in the first quarter (previous year: €1,333 million). This included negative currency effects of €125 million, most of which related to Hong Kong and China. Excluding these effects, revenue growth in the reporting period was 8.6%. In the TDI product line, revenues per day rose by 9.1% and per-day volumes by 5.3%.

Strong volume growth in the MEA region

Revenue in the MEA region (Middle East and Africa) declined by 1.8% to €275 million in the reporting period (previous year: €280 million). This included negative currency effects of €34 million, most of which related to the United Arab Emirates. Excluding these effects, revenue growth was 10.4%. TDI revenues per day were up by 12.3%, with per-day volumes up by a strong 15.7%.

EBIT and return on sales show improvement

EBIT in the division rose by 16.4% to €461 million in the first quarter of 2018 (previous year: €396 million), driven by network improvements and growing international business. Return on sales increased from 11.0% to 12.2%. Operating cash flow rose to €621 million in the reporting period (previous year: €340 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures of the GLOBAL FORWARDING, FREIGHT division

€m

	Q1 2017	Q1 2018	+/– %
Revenue	3,546	3,591	1.3
of which Global Forwarding	2,503	2,534	1.2
Freight	1,080	1,092	1.1
Consolidation/Other	–37	–35	5.4
Profit from operating activities (EBIT)	40	70	75.0
Return on sales (%)[1]	1.1	1.9	–
Operating cash flow	–64	–30	53.1

[1] EBIT/revenue.

Currency effects reduce revenue growth

Revenue in the division rose by 1.3% to €3,591 million in the first quarter of 2018 (previous year: €3,546 million). Excluding negative currency effects of €211 million, revenue was up 7.2% year-on-year. In the Global Forwarding business unit, revenue in the reporting period increased by 1.2% to €2,534 million (previous year: €2,503 million). Excluding negative currency effects of €193 million, the increase was 8.9%. Gross profit of the business unit was €582 million and thereby below the prior-year level (€590 million), likewise due to negative currency effects.

Margin improvement in air freight

We reported a decline in air freight volume of 3.0% in the first quarter of 2018. We are now increasingly able to pass higher freight rates on to customers; as a result, our air freight revenue rose by 3.2% in the reporting period despite lower volumes. Gross profit improved by 3.9%.

Ocean freight volumes in the first quarter of 2018 were at the prior-year level (–0.3%). Ocean freight revenue fell slightly by 1.0%, whilst gross profit declined by 3.1% due to negative currency effects.

Our industrial project business (in the following table reported as part of Other) improved compared with the prior year. The share of revenue related to industrial project business and reported under Other increased from 25.8% in the prior year to 29.9%. Gross profit for industrial projects improved by 8.6%.

Global Forwarding: revenue

€m

	Q1 2017	Q1 2018	+/– %
Air freight	1,126	1,162	3.2
Ocean freight	842	834	–1.0
Other	535	538	0.6
Total	**2,503**	**2,534**	**1.2**

Global Forwarding: volumes

Thousands

		Q1 2017	Q1 2018	+/– %
Air freight	tonnes	952	923	–3.0
of which exports	tonnes	534	517	–3.2
Ocean freight	TEUs[1]	768	766	–0.3

[1] Twenty-foot equivalent units.

Revenue growth in European overland transport business

In the Freight business unit, revenue rose by 1.1% to €1,092 million in the first quarter of 2018 (previous year: €1,080 million) despite negative currency effects of €18 million. The 4.1% volume growth was driven mainly by e-commerce based business in Sweden and less-than-truckload business in Germany. Gross profit of the business unit fell by 1.8% to €273 million (previous year: €278 million) due to negative currency effects.

EBIT up significantly in the first quarter

EBIT in the division increased significantly from €40 million to €70 million in the reporting period, thanks mainly to improved gross profit margins in air freight and cost measures. Return on sales rose to 1.9% (previous year: 1.1%).

Net working capital increased in the first quarter of 2018 due to a reduction in liabilities. The increase was partially offset by lower receivables. Operating cash flow amounted to €–30 million (previous year: €–64 million).

SUPPLY CHAIN DIVISION

Key figures of the SUPPLY CHAIN division

€m

	Q1 2017	Q1 2018	+/– %
Revenue	3,523	3,124	–11.3
of which EMEA (Europe, Middle East and Africa)	1,772	1,686	–4.9
Americas	1,161	947	–18.4
Asia Pacific	597	505	–15.4
Consolidation/Other	–7	–14	–100
Profit from operating activities (EBIT)	99	55	–44.4
Return on sales (%)[1]	2.8	1.8	–
Operating cash flow	–104	2	>100

[1] EBIT/revenue.

Sale of Williams Lea and currency effects impact revenue

Revenue in the division fell by 11.3% to €3,124 million in the first quarter of 2018 (previous year: €3,523 million). The decline is due mainly to the sale of Williams Lea Tag Group in the fourth quarter of 2017. In addition, negative currency effects reduced revenue in the reporting period by €223 million. Excluding these effects, the division generated revenue growth of 3.8%.

In the EMEA and Americas regions, volumes grew primarily in the Automotive and Retail sectors.

In the Asia Pacific region, we generated growth in nearly all sectors.

SUPPLY CHAIN: revenue by sector and region, Q1 2018

Total revenue: €3,124 million

of which Retail	27%
Consumer	23%
Automotive	17%
Technology	13%
Life Sciences & Healthcare	11%
Engineering & Manufacturing	5%
Others	4%
of which Europe/Middle East/Africa/Consolidation	54%
Americas	30%
Asia Pacific	16%

New business worth around €175 million secured

In the first quarter of 2018, the division concluded additional contracts worth around €175 million in annualised revenue with both new and existing customers. The Automotive, Consumer and Retail sectors accounted for the majority of the gains. The annualised contract renewal rate remained at a consistently high level.

Negative one-off effects substantially impact EBIT

EBIT in the division was €55 million in the first quarter of 2018 (previous year: €99 million). The figure was affected by negative one-off effects of €50 million from customer contracts. Excluding these effects, EBIT improved by 6.1% due mainly to business growth and the effects of strategic initiatives. The one-off effects reduced return on sales to 1.8%. Operating cash flow improved from €–104 million to €2 million in the reporting period.

EXPECTED DEVELOPMENTS

Future economic parameters

The full-year economic outlook for 2018 as reported in the @ 2017 Annual Report beginning on page 78 has not changed significantly. The International Monetary Fund (IMF) continues to expect global economic output to grow by 3.9%. However, the forecast for growth in global trade was raised significantly to 5.1%. Risks for this outlook are seen primarily in a potential escalation of the trade disputes between the USA and some of its most important foreign trading partners. New barriers to international trade in goods and services would not only adversely affect economic momentum in the countries involved, but also slow growth in third countries.

In China, gross domestic product (GDP) is likely to grow somewhat more slowly than in the previous year (IMF: 6.6%). Growth in Japan is expected to be moderate (IMF: 1.2%; IHS: 1.7%).

In the United States, GDP is likely to increase much more sharply than in the previous year (IMF: 2.9%; OECD: 2.9%).

GDP growth in the euro zone is projected to slightly exceed that of the prior year (IMF: 2.4%; ECB: 2.4%).

Early indicators suggest that the upswing in Germany will continue, albeit at a somewhat slower pace. Growth as a whole is expected to be slightly higher than that of the prior year (IMF: 2.5%; *Sachverständigenrat*: 2.3%).

Revenue and earnings forecast

We are reconfirming the revenue and earnings forecast for full-year 2018 as described in the @ 2017 Annual Report on page 79 f.

Expected financial position

In 2018 we intend to invest around €2.5 billion plus around €0.2 billion for the debt-financed renewal of the Express intercontinental aircraft fleet.

Performance of further indicators relevant for internal management

The debt-financed renewal of the Express intercontinental aircraft fleet will also affect EAC and the reported free cash flow, which will be above €1.5 billion in 2018, excluding the debt-financed renewal of the Express intercontinental aircraft fleet.

OPPORTUNITIES AND RISKS

The Group's overall opportunity and risk situation did not change significantly during the first quarter of 2018 as compared with the situation described in the @ 2017 Annual Report beginning on page 81. 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.

INCOME STATEMENT

1 January to 31 March

€m	2017	2018
Revenue	14,883	14,749
Other operating income	519	483
Total operating income	15,402	15,232
Materials expense	−8,023	−7,501
Staff costs	−5,103	−4,964
Depreciation, amortisation and impairment losses	−347	−769
Other operating expenses	−1,045	−1,094
Total operating expenses	−14,518	−14,328
Net income from investments accounted for using the equity method	1	1
Profit from operating activities (EBIT)	**885**	**905**
Financial income	21	44
Finance costs	−109	−174
Foreign currency losses	−5	−5
Net finance costs	**−93**	**−135**
Profit before income taxes	**792**	**770**
Income taxes	−119	−139
Consolidated net profit for the period	**673**	**631**
attributable to Deutsche Post AG shareholders	633	600
attributable to non-controlling interests	40	31
Basic earnings per share (€)	**0.52**	**0.49**
Diluted earnings per share (€)	**0.51**	**0.48**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 March

€m	2017	2018
Consolidated net profit for the period	**673**	**631**
Items that will not be reclassified to profit or loss		
Change due to remeasurements of net pension provisions	−93	−329
Reserve for equity instruments without recycling	–	2
Income taxes relating to components of other comprehensive income	29	−23
Share of other comprehensive income of investments accounted for using the equity method, net of tax	0	0
Total, net of tax	**−64**	**−350**
Items that may be reclassified subsequently to profit or loss		
IAS 39 revaluation reserve		
Changes from unrealised gains and losses	2	–
Changes from realised gains and losses	0	–
IAS 39 hedging reserve		
Changes from unrealised gains and losses	−76	2
Changes from realised gains and losses	3	−11
Currency translation reserve		
Changes from unrealised gains and losses	18	−71
Changes from realised gains and losses	0	0
Income taxes relating to components of other comprehensive income	22	3
Share of other comprehensive income of investments accounted for using the equity method, net of tax	−1	−2
Total, net of tax	**−32**	**−79**
Other comprehensive income, net of tax	**−96**	**−429**
Total comprehensive income	**577**	**202**
attributable to Deutsche Post AG shareholders	537	172
attributable to non-controlling interests	40	30

BALANCE SHEET

€m	31 Dec. 2017	31 March 2018
ASSETS		
Intangible assets	11,792	11,744
Property, plant and equipment	8,782	17,731
Investment property	21	26
Investments accounted for using the equity method	85	101
Non-current financial assets	733	765
Other non-current assets	231	278
Deferred tax assets	2,272	2,222
Non-current assets	**23,916**	**32,867**
Inventories	327	388
Current financial assets	652	644
Trade receivables	8,218	8,196
Other current assets	2,184	2,830
Income tax assets	236	267
Cash and cash equivalents	3,135	2,403
Assets held for sale	4	4
Current assets	**14,756**	**14,732**
Total ASSETS	**38,672**	**47,599**
EQUITY AND LIABILITIES		
Issued capital	1,224	1,228
Capital reserves	3,327	3,481
Other reserves	−998	−1,074
Retained earnings	9,084	9,237
Equity attributable to Deutsche Post AG shareholders	12,637	12,872
Non-controlling interests	266	292
Equity	**12,903**	**13,164**
Provisions for pensions and similar obligations	4,450	4,661
Deferred tax liabilities	76	53
Other non-current provisions	1,421	1,423
Non-current provisions	5,947	6,137
Non-current financial liabilities	5,151	12,561
Other non-current liabilities	272	246
Non-current liabilities	5,423	12,807
Non-current provisions and liabilities	**11,370**	**18,944**
Current provisions	1,131	931
Current financial liabilities	899	2,545
Trade payables	7,343	6,385
Other current liabilities	4,402	5,001
Income tax liabilities	624	629
Liabilities associated with assets held for sale	0	0
Current liabilities	13,268	14,560
Current provisions and liabilities	**14,399**	**15,491**
Total EQUITY AND LIABILITIES	**38,672**	**47,599**

CASH FLOW STATEMENT

1 January to 31 March

€m

	2017	2018
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	633	600
Consolidated net profit for the period attributable to non-controlling interests	40	31
Income taxes	119	139
Net finance costs	93	135
Profit from operating activities (EBIT)	**885**	**905**
Depreciation, amortisation and impairment losses	347	769
Net income from disposal of non-current assets	−57	8
Non-cash income and expense	3	19
Change in provisions	−93	−175
Change in other non-current assets and liabilities	−5	−48
Income taxes paid	−170	−157
Net cash from operating activities before changes in working capital	**910**	**1,321**
Changes in working capital		
Inventories	−8	−63
Receivables and other current assets	−680	−756
Liabilities and other items	−132	−134
Net cash from operating activities	**90**	**368**
Subsidiaries and other business units	0	0
Property, plant and equipment and intangible assets	51	22
Investments accounted for using the equity method and other investments	0	0
Other non-current financial assets	7	13
Proceeds from disposal of non-current assets	58	35
Subsidiaries and other business units	−4	−2
Property, plant and equipment and intangible assets	−535	−557
Investments accounted for using the equity method and other investments	−23	−17
Other non-current financial assets	−5	0
Cash paid to acquire non-current assets	−567	−576
Interest received	10	12
Current financial assets	177	−6
Net cash used in investing activities	**−322**	**−535**
Proceeds from issuance of non-current financial liabilities	14	16
Repayments of non-current financial liabilities	−11	−415
Change in current financial liabilities	23	−1
Other financing activities	−26	18
Cash paid for transactions with non-controlling interests	−45	0
Dividend paid to non-controlling interest holders	−1	−2
Purchase of treasury shares	−147	−46
Interest paid	−19	−107
Net cash used in financing activities	**−212**	**−537**
Net change in cash and cash equivalents	**−444**	**−704**
Effect of changes in exchange rates on cash and cash equivalents	9	−28
Changes in cash and cash equivalents due to changes in consolidated group	0	0
Cash and cash equivalents at beginning of reporting period	3,107	3,135
Cash and cash equivalents at end of reporting period	**2,672**	**2,403**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 March

€m	Issued capital	Capital reserves	Other reserves: IAS 39 revaluation reserve	Other reserves: IAS 39 hedging reserve	Other reserves: Reserve for equity instruments without recycling	Other reserves: Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2017	1,211	2,932	11	3	–	−298	7,228	11,087	263	11,350
Capital transactions with owner										
Dividend							0	0	−1	−1
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						52	48		48
Convertible bonds	0	1						1		1
Share-based payment schemes (issuance)		46						46		46
Share-based payment schemes (exercise)	0	0					0	0		0
								95	−1	94
Total comprehensive income										
Consolidated net profit for the period							633	633	40	673
Currency translation differences						17		17	0	17
Change due to remeasurements of net pension provisions							−64	−64	0	−64
Other changes			2	−51			0	−49	0	−49
								537	40	577
Balance at 31 March 2017	**1,207**	**3,006**	**13**	**−48**	**–**	**−281**	**7,822**	**11,719**	**302**	**12,021**
Balance at 1 January 2018	1,224	3,327	10	19	–	−1,027	9,084	12,637	266	12,903
Adjustments as a result of new IFRSS			−10		11	−1	−50	−50	−2	−52
Balance at 1 January 2018, adjusted	1,224	3,327	–	19	11	−1,028	9,034	12,587	264	12,851
Capital transactions with owner										
Dividend							0	0	−2	−2
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	0					0	0	0	0
Purchase of treasury shares	−1						−45	−46		−46
Convertible bonds	5	102						107		107
Share-based payment schemes (issuance)		52						52	0	52
Share-based payment schemes (exercise)	0	0					0	0	0	0
								113	−2	111
Total comprehensive income										
Consolidated net profit for the period							600	600	31	631
Currency translation differences						−72		−72	−1	−73
Change due to remeasurements of net pension provisions							−352	−352	0	−352
Other changes			–	−6	2		0	−4	0	−4
								172	30	202
Balance at 31 March 2018	**1,228**	**3,481**	**–**	**13**	**13**	**−1,100**	**9,237**	**12,872**	**292**	**13,164**

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 31 March 2018 and have been reviewed.

BASIS OF PREPARATION

1 Basis of accounting

The condensed consolidated interim financial statements as at 31 March 2018 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 2018 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 2017. Exceptions are the standards listed below, which have been applied by the Group since 1 January 2018. Detailed explanations of these can be found in the 2017 Annual Report in note 5 to the consolidated financial statements.

Effects of IFRS 9, Financial Instruments

The reclassification of financial instruments from the IAS 39 categories to IFRS 9 did not materially affect the balance sheet. As at 1 January 2018, impairment losses on receivables were recognised early in other comprehensive income in accordance with the expected loss model.

The prior-year figures were not adjusted. Deutsche Post DHL Group continues to exercise the option under IFRS 9 to apply the requirements of IAS 39 governing hedge accounting.

IFRS 9 classification and impact on equity

€m	31 Dec. 2017	Reclassification	Adjustment/ impairment loss	1 Jan. 2018
ASSETS				
Non-current financial assets				
Available-for-sale financial assets	59	–59	–	–
Loans and receivables	466	–464	–2	–
Assets at fair value through profit or loss	170	28	–	198
Lease receivables	38	–38	–	–
Assets at fair value through other comprehensive income	–	47	–	47
Financial assets measured at cost	–	476	–	476
Other non-current assets	231	10	–	241
Current financial assets				
Available-for-sale financial assets	500	–500	–	–
Loans and receivables	69	–69	–	–
Assets at fair value through profit or loss	76	500	–	576
Lease receivables	7	–7	–	–
Financial assets measured at cost	–	76	–	76
Trade receivables	8,218	0	–42	8,176
Adjusted total ASSETS	**9,834**	**0**	**–44**	**9,790**
EQUITY AND LIABILITIES				
Retained earnings	9,084	0	–42	9,042
Non-controlling interests	266	0	–2	264
Adjusted total EQUITY AND LIABILITIES	**9,350**	**0**	**–44**	**9,306**

Effects of IFRS 15, Revenue from Contracts with Customers

The timing of revenue recognition has changed to an insignificant extent for certain types of contracts in the PeP, Express and Global Forwarding, Freight segments due to IFRS 15, because this revenue is now recognised over time rather than at a point in time. The Group introduced IFRS 15 based upon the modified retrospective method. The prior-year figures were not adjusted. Contract assets of €45 million, liabilities for outstanding supplier invoices of €12 million and contract liabilities of €50 million were recognised for the first time as at 1 January 2018. The effects of the transition as at 1 January 2018 in the amount of €–13 million were recognised in retained earnings, taking deferred taxes into account.

Effects of IFRS 16, Leases

In the context of the transition to IFRS 16, right-of-use assets of €9.1 billion and lease liabilities of €9.2 billion were recognised as at 1 January 2018. The Group transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. As part of the initial application of IFRS 16, the Group chooses to apply the relief option, which allows it to adjust the right-of-use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application. In addition, the Group has decided not to apply the new guidance to leases whose term will end within twelve months of the date of initial application. In such cases, the leases will be accounted for as short-term leases and the lease payments associated with them will be recognised as an expense from short-term leases. The following reconciliation to the opening balance for the lease liabilities as at 1 January 2018 is based upon the operating lease obligations as at 31 December 2017:

Reconciliation

€m	1 Jan. 2018
Operating lease obligations at 31 December 2017	11,298
Minimum lease payments (notional amount) on finance lease liabilities at 31 December 2017	237
Relief option for short-term leases	−225
Relief option for leases of low-value assets	−27
Lease-type obligations (service components)	2
Other	50
Gross lease liabilities at 1 January 2018	**11,335**
Discounting	−1,919
Lease liabilities at 1 January 2018	**9,416**
Present value of finance lease liabilities at 31 December 2017	−181
Additional lease liabilities as a result of the initial application of IFRS 16 as at 1 January 2018	**9,235**

The lease liabilities were discounted at the borrowing rate as at 1 January 2018. The weighted average discount rate was 3.8%.

Leases are shown as follows in the balance sheet as at 31 March 2018 and the income statement for the first quarter of the year:

Leases in the balance sheet

€m	31 March 2018
ASSETS	
Non-current assets	
Right-of-use assets – land and buildings	7,532
Right-of-use assets – aircraft	992
Right-of-use assets – transport equipment	525
Right-of-use assets – technical equipment and machinery	139
Right-of-use assets – IT equipment	3
Right-of-use assets – advance payments	1
Total	**9,192**
EQUITY AND LIABILITIES	
Non-current provisions and liabilities	
Lease liabilities	7,730
Current provisions and liabilities	
Lease liabilities	1,643
Total	**9,373**

The right-of-use assets include assets which were recognised as finance lease assets in accordance with IAS 17 until 31 December 2017.

Leases in the income statement

€m

	Q1 2018
Other operating income	
Operating lease income	12
Sublease income	7
Materials expense	
Short-term lease expenses	176
Low-value lease expenses	11
Variable lease payment expenses	10
Other lease expenses (additional costs)	33
Depreciation and impairment losses	
Depreciation of right-of-use assets	437
Impairment losses on right-of-use assets	1
Net finance costs	
Interest expense on lease liabilities	89
Currency translation gains on lease liabilities	12
Currency translation losses on lease liabilities	9

The effects of the new standards were recognised in other comprehensive income at the date of transition. For further details, see note 4.

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 2017, upon which these interim financial statements are based.

2 Consolidated group

	31 Dec. 2017	31 March 2018
Number of fully consolidated companies (subsidiaries)		
German	129	129
Foreign	600	600
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	0	0
Foreign	14	16

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 above are consolidated in addition to the parent company Deutsche Post AG.

Interests in Robotic Wares Private Limited, India, and Dunho WeiHeng (Zhuhai) Supply Chain Management Co., Ltd., China, were acquired in the first quarter of 2018. The investments are accounted for in the consolidated financial statements using the equity method. An additional 8.4% interest was acquired in Relais Colis SAS, France, which is also an investment accounted for using the equity method.

2.1 Acquisitions

In the first quarter of 2018, Delivered on Time Limited (DOT), UK, was acquired by DHL Global Forwarding UK Limited.

Insignificant acquisitions in 2018

Name	Country	Segment	Interest %	Acquisition date
Delivered on Time (DOT)	United Kingdom	Global Forwarding, Freight	100	6 March 2018

The company is a provider of motor sports logistics solutions. Existing Formula 1 and Formula E services will benefit from synergy effects generated by the acquisition. The purchase price was €2 million. Based upon net assets of €1 million, goodwill amounted to €1 million. No detailed disclosure according to IFRS 3 is provided as the acquisition is not material.

2.2 Disposal and deconsolidation effects

There were no material disposal or deconsolidation effects in the first quarter of 2018.

3 Significant transactions

Deutsche Post AG modified its occupational retirement arrangement in Germany in the first quarter of 2018. The added payment option of receiving one lump sum instead of lifelong monthly benefit payments has now also been granted to certain groups of hourly workers and salaried employees (e.g., former hourly workers and salaried employees with un-forfeitable vested entitlements), to whom it had previously not been available. Negative past service costs of €108 million were recognised as a result.

4 Adjustment of opening balances

The adjustments to the opening balances below resulted from the initial application of IFRS 9, IFRS 15 and IFRS 16 as at 1 January 2018. The prior-period amounts were not adjusted. The effects of the transition were recognised directly in equity as retained earnings.

Adjusted opening balances at 1 January 2018

€m		Adjustment as a result of				
	31 Dec. 2017	IFRS 9	IFRS 15	IFRS 16	Total	1 Jan. 2018
ASSETS						
Property, plant and equipment	8,782			9,093	9,093	**17,875**
Non-current financial assets	733	−14	−12	77	51	**784**
Deferred tax assets	2,272	2	4		6	**2,278**
Other non-current assets	231	10	18		28	**259**
Current financial assets	652	0		4	4	**656**
Trade receivables	8,218	−42			−42	**8,176**
Other current assets	2,184	0	39	−58	−19	**2,165**
EQUITY AND LIABILITIES						
Retained earnings	9,084	−42	−13	5	−50	**9,034**
Non-controlling interests	266	−2			−2	**264**
Deferred tax liabilities	76			2	2	**78**
Non-current provisions	1,421			−23	−23	**1,398**
Non-current financial liabilities	5,151			9,229	9,229	**14,380**
Other non-current liabilities	272			−13	−13	**259**
Current provisions	1,131		−173	8	−165	**966**
Trade payables	7,343		12	−3	9	**7,352**
Other current liabilities	4,402		223	−89	134	**4,536**

INCOME STATEMENT DISCLOSURES

5 Revenue by business unit

€m	Q1 2017	Q1 2018
PeP	**4,509**	**4,588**
Post	2,471	2,428
eCommerce - Parcel	2,017	2,131
Other	21	29
Express	**3,504**	**3,676**
Global Forwarding, Freight	**3,358**	**3,387**
Global Forwarding	2,457	2,483
Freight	901	904
Supply Chain	**3,490**	**3,076**
Corporate Center/Other	**22**	**22**
Total revenue	**14,883**	**14,749**

6 Other operating income

€m	Q1 2017	Q1 2018
Income from currency translation	39	57
Insurance income	52	54
Income from work performed and capitalised	46	47
Income from the reversal of provisions	55	35
Income from fees and reimbursements	30	30
Reversals of impairment losses on receivables and other assets	30	28
Income from derivatives	18	21
Commission income	30	19
Rental and lease income	24	19
Income from the remeasurement of liabilities	16	16
Income from prior-period billings	13	16
Income from loss compensation	7	8
Income from the disposal of assets	71	7
Recoveries on receivables previously written off	2	4
Subsidies	2	4
Income from the derecognition of liabilities	6	3
Miscellaneous	78	115
Total	**519**	**483**

7 Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses increased mainly as a result of the initial application of IFRS 16. Depreciation of and impairment losses on right-of-use assets include €1 million in impairment losses.

€m	Q1 2017	Q1 2018
Amortisation of and impairment losses on intangible assets	61	48
Depreciation of and impairment losses on property, plant and equipment acquired	280	283
Depreciation of and impairment losses on finance lease assets	6	–
Depreciation of and impairment losses on right-of-use assets	–	438
Total	**347**	**769**

8 Other operating expenses

€m	Q1 2017	Q1 2018
Cost of purchased cleaning and security services	94	99
Warranty expenses, refunds and compensation payments	72	83
Travel and training costs	77	79
Insurance costs	88	78
Expenses for advertising and public relations	76	72
Other business taxes	67	63
Write-downs of current assets	47	60
Currency translation expenses	41	59
Telecommunication costs	56	51
Office supplies	42	42
Entertainment and corporate hospitality expenses	36	39
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	35	37
Customs clearance-related charges	30	31
Consulting costs (including tax advice)	27	28
Contributions and fees	27	26
Voluntary social benefits	22	22
Monetary transaction costs	14	16
Losses on disposal of assets	13	15
Commissions paid	16	14
Legal costs	11	12
Expenses from derivatives	20	10
Donations	7	8
Audit costs	8	7
Prior-period operating expenses	8	5
Miscellaneous	111	138
Total	**1,045**	**1,094**

Other operating expenses include €49 million attributable to negative effects from customer contracts in the Supply Chain division. Miscellaneous other operating expenses include a large number of smaller individual items.

9 Earnings per share

Basic earnings per share in the reporting period were €0.49 (previous year: €0.52).

Basic earnings per share

		Q1 2017	Q1 2018
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	633	600
Weighted average number of shares outstanding	number	1,208,360,392	1,225,895,902
Basic earnings per share	€	**0.52**	**0.49**

Diluted earnings per share in the reporting period were €0.48 (previous year: €0.51).

Diluted earnings per share

		Q1 2017	Q1 2018
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	633	600
Plus interest expense on convertible bonds	€m	0[1]	2
Less income taxes	€m	0[1]	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	633	602
Weighted average number of shares outstanding	number	1,208,360,392	1,225,895,902
Potentially dilutive shares	number	31,230,126	40,910,970
Weighted average number of shares for diluted earnings	number	1,239,590,518	1,266,806,872
Diluted earnings per share	€	**0.51**	**0.48**

[1] Rounded below €1 million.

BALANCE SHEET DISCLOSURES

10 Intangible assets and property, plant and equipment

Investments in intangible assets (not including goodwill), property, plant and equipment acquired and right-of-use assets amounted to €796 million in the first quarter of 2018 (previous year: €334 million).

Investments

€m	31 March 2017	31 March 2018
Intangible assets (not including goodwill)	**34**	**41**
Property, plant and equipment acquired		
Land and buildings	18	18
Technical equipment and machinery	20	24
Transport equipment	31	19
Aircraft	16	8
IT equipment	21	16
Operating and office equipment	17	14
Advance payments and assets under development	176	187
	299	**286**
Right-of-use assets		
Land and buildings	0	381
Technical equipment and machinery	0	9
Transport equipment	0	24
Aircraft	0	55
IT equipment[1]	1	0
	1	**469**
Total	**334**	**796**

[1] Recognised as finance lease assets in the previous year.

Goodwill changed as follows in the reporting period:

Change in goodwill

€m	2017	2018
Cost		
Balance at 1 January	12,791	12,239
Additions from business combinations	35	1
Disposals	–97	0
Currency translation differences	–490	–50
Balance at 31 December/31 March	**12,239**	**12,190**
Amortisation and impairment losses		
Balance at 1 January	1,133	1,070
Disposals	–25	0
Currency translation differences	–38	–8
Balance at 31 December/31 March	**1,070**	**1,062**
Carrying amount at 31 December/31 March	**11,169**	**11,128**

11 Financial assets

€m	Non-current		Current		Total	
	31 Dec. 2017	31 March 2018	31 Dec. 2017	31 March 2018	31 Dec. 2017	31 March 2018
Financial assets measured at cost	–	531	–	81	**–**	**612**
Assets at fair value through other comprehensive income	–	48	–	0	**–**	**48**
Assets at fair value through profit or loss	170	186	76	563	**246**	**749**
Available-for-sale financial assets	59	–	500	–	**559**	**–**
Loans and receivables	466	–	69	–	**535**	**–**
Lease receivables	38	–	7	–	**45**	**–**
Total	**733**	**765**	**652**	**644**	**1,385**	**1,409**

Net impairment losses amounted to €–24 million in the first quarter of 2018 (previous year: €–16 million).

12 Issued capital and purchase of treasury shares

KfW Bankengruppe (KfW) held a 20.6% interest in the share capital of Deutsche Post AG as at 31 March 2018. The remaining shares are in free float.

KfW holds the shares in trust for the Federal Republic of Germany.

Changes in issued capital and treasury shares

€	2017	2018
Issued capital		
Balance at 1 January	1,240,915,883	1,228,707,545
Addition due to contingent capital increase (convertible bond)	15,091,662	5,379,106
Capital reduction through retirement of treasury shares	–27,300,000	0
Balance at 31 December/31 March	**1,228,707,545**	**1,234,086,651**
Treasury shares		
Balance at 1 January	–29,587,229	–4,513,582
Purchase of treasury shares	–4,660,410	–1,284,619
Capital reduction through retirement of treasury shares	27,300,000	0
Issue/sale of treasury shares	2,434,057	0
Balance at 31 December/31 March	**–4,513,582**	**–5,798,201**
Total at 31 December/31 March	**1,224,193,963**	**1,228,288,450**

The issued capital is composed of 1,234,086,651 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share, and is fully paid up.

Exercise of conversion rights under the convertible bond 2012/2019

The contingent capital increase was implemented in the first quarter of 2018, when various bond holders exercised additional conversion rights with a notional volume of €110 million. This resulted in 5,379,106 new shares.

Redemption of the convertible bond 2012/2019

On 7 March 2018, Deutsche Post AG announced that it would exercise the right to redeem all outstanding convertible bonds 2012/2019 in accordance with section 4(4) of the issuance terms. The outstanding bonds with a notional volume of €0.7 million were repaid on 27 March 2018.

Purchase of treasury shares

In March 2018, 1,284,619 shares were acquired for a total amount of €46 million (average price of €36.20 per share) in order to settle the 2017 tranche of the Share Matching Scheme. These shares will be issued to the executives concerned in April 2018.

As at 31 March 2018, Deutsche Post AG held 5,798,201 treasury shares.

13 Capital reserves

€m	2017	2018
Balance at 1 January	2,932	3,327
Share Matching Scheme		
Addition	67	45
Exercise	–59	0
Total for Share Matching Scheme	**8**	**45**
Performance Share Plan		
Addition	25	7
Total for Performance Share Plan	**25**	**7**
Capital reduction through retirement of treasury shares	27	0
Difference between purchase and issue prices of treasury shares	5	0
Capital increase through exercise of conversion rights under convertible bond 2012/2019	286	102
Conversion right under convertible bond 2017/2025	53	0
Deferred taxes on conversion right under convertible bond 2017/2025	–9	0
Balance at 31 December/31 March	**3,327**	**3,481**

14 Retained earnings

The changes in retained earnings as a result of the newly introduced and applied IFRSs are described in notes 1 and 4. In addition, the purchase of treasury shares had the following effect:

€m	31 Dec. 2017	31 March 2018
Purchase of treasury shares	51	–45
of which purchase/sale of treasury shares Share Matching Scheme	–41	–45
Share buyback under tranches I to III	–103	0
Obligation to repurchase shares under tranche III/derecognition	195	0

SEGMENT REPORTING

15 Segment reporting

Segments by division

€m	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
1 Jan. to 31 March	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
External revenue	4,509	4,588	3,504	3,676	3,358	3,387	3,490	3,076	22	22	0	0	**14,883**	**14,749**
Internal revenue	36	34	91	96	188	204	33	48	250	295	–598	–677	**0**	**0**
Total revenue	4,545	4,622	3,595	3,772	3,546	3,591	3,523	3,124	272	317	–598	–677	**14,883**	**14,749**
Profit/loss from operating activities (EBIT)	425	383	396	461	40	70	99	55	–74	–63	–1	–1	**885**	**905**
of which net income from investments accounted for using the equity method	0	0	0	1	0	0	1	0	0	0	0	0	**1**	**1**
Segment assets[2,3]	6,748	7,555	10,203	12,611	7,664	8,430	5,564	7,890	1,554	5,116	–72	–352	**31,661**	**41,250**
of which investments accounted for using the equity method	27	36	33	32	22	22	3	3	0	8	0	0	**85**	**101**
Segment liabilities[2]	3,066	3,051	3,604	3,304	3,046	2,951	3,037	2,870	1,524	1,496	–57	–64	**14,220**	**13,608**
Net segment assets/liabilities[2,3]	3,682	4,504	6,599	9,307	4,618	5,479	2,527	5,020	30	3,620	–15	–288	**17,441**	**27,642**
Capex (assets acquired)	103	129	132	80	17	20	61	70	21	28	–1	0	**333**	**327**
Capex (right-of-use assets)[3,4]	0	28	0	120	1	37	0	113	0	171	0	0	**1**	**469**
Total capex[3]	103	157	132	200	18	57	61	183	21	199	–1	0	**334**	**796**
Depreciation and amortisation[3]	88	106	118	267	17	56	75	191	50	149	–1	–1	**347**	**768**
Impairment losses	0	0	0	0	0	0	0	1	0	0	0	0	**0**	**1**
Total depreciation, amortisation and impairment losses[3]	88	106	118	267	17	56	75	192	50	149	–1	–1	**347**	**769**
Other non-cash income (–) and expenses (+)	–8	–73	70	87	18	28	59	46	65	33	1	0	**205**	**121**
Employees[5]	179,600	183,304	86,313	91,270	42,646	42,480	149,042	146,965	11,123	11,480	0	0	**468,724**	**475,499**

1 Including rounding.
2 As at 31 December 2017 and 31 March 2018.
3 Not comparable with prior year due to initial application of IFRS 16.
4 Prior-year figure includes investments in finance lease assets.
5 Average FTEs; prior-period amount covers financial year 2017.

Information about geographical regions

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 March	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
External revenue	4,574	4,698	4,435	4,498	2,675	2,490	2,609	2,481	590	582	**14,883**	**14,749**
Non-current assets[1,2]	5,610	8,899	7,328	9,895	4,076	5,847	3,303	4,404	356	510	**20,673**	**29,555**
Capex	155	310	53	251	90	148	27	71	9	16	**334**	**796**

1 As at 31 December 2017 and 31 March 2018.
2 Not comparable with prior year due to initial application of IFRS 16.

Reconciliation

€m

	Q1 2017	Q1 2018
Total income of reportable segments	960	969
Corporate Center/Other	–74	–63
Reconciliation to Group/Consolidation	–1	–1
Profit from operating activities (EBIT)	**885**	**905**
Net finance costs	–93	–135
Profit before income taxes	**792**	**770**
Income taxes	–119	–139
Consolidated net profit for the period	**673**	**631**

OTHER DISCLOSURES

16 Cash flow statement

Net cash from operating activities improved, due mainly to the initial application of IFRS 16. The former operating lease payments are now shown in net cash used in financing activities, provided they do not concern payments under short-term or low-value leases. €398 million of the net cash used in financing activities relates to repayments of non-current financial liabilities under leases and €89 million to interest payments on leases.

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.

17 Disclosures on financial instruments

The following table presents financial instruments measured 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.

Financial assets and liabilities

€m

Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
31 March 2018				
Non-current financial assets	228	537	0	**765**
Current financial assets	500	63	0	**563**
Financial assets	**728**	**600**	**0**	**1,328**
Non-current financial liabilities	5,073	98	6	**5,177**
Current financial liabilities	519	25	4	**548**
Financial liabilities	**5,592**	**123**	**10**	**5,725**
31 December 2017				
Non-current financial assets	201	480	0	**681**
Current financial assets	500	76	0	**576**
Financial assets	**701**	**556**	**0**	**1,257**
Non-current financial liabilities	5,315	151	6	**5,472**
Current financial liabilities	519	31	4	**554**
Financial liabilities	**5,834**	**182**	**10**	**6,026**

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

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.

Level 1 comprises mainly 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 comprises mainly 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 31 March 2018:

Unobservable inputs (Level 3)

€m	2017			2018		
	Assets	Liabilities		Assets	Liabilities	
	Equity instruments	Debt instruments	Derivatives, of which equity derivatives	Equity instruments	Debt instruments	Derivatives, of which equity derivatives
At 1 January	0	15	0	0	10	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	0	0	0	0	0
Disposals	0	−5	0	0	0	0
Currency translation effects	0	0	0	0	0	0
At 31 December/31 March	**0**	**10**	**0**	**0**	**10**	**0**

[1] Fair value losses are presented in finance costs, fair value gains in financial income.
[2] Unrealised gains and losses are recognised in the IAS 39 revaluation reserve (until 2017)/in the reserve for debt/equity instruments (from 2018).

18 Contingent liabilities

The Group's contingent liabilities and other financial obligations, such as purchase obligations, have not changed significantly compared with 31 December 2017. Operating lease obligations have been reported in accordance with the requirements of IFRS 16 since 1 January 2018; notes 1 and 4.

19 Related party disclosures

There were no significant changes in related party disclosures in the first quarter as against 31 December 2017.

20 Events after the reporting date/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, 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 May 2018

Deutsche Post AG
The Board of Management

Dr Frank Appel

Ken Allen

Dr h.c. Jürgen Gerdes

John Gilbert

Melanie Kreis

Dr Thomas Ogilvie

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 31 March 2018, which are part of the quarterly financial report pursuant to section 115 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 May 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dietmar Prümm	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
(German public auditor)	(German public auditor)

CONTACTS

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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FINANCIAL CALENDAR 2018/2019

7 August 2018
Interim Report as at 30 June 2018

6 November 2018
Interim Report as at 30 September 2018

7 March 2019
2018 Annual Report

9 May 2019
Interim Report as at 31 March 2019

15 May 2019
2019 Annual General Meeting

20 May 2019
Dividend payment

6 August 2019
Interim Report as at 30 June 2019

12 November 2019
Interim Report as at 30 September 2019

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

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Deutsche Post AG
Headquarters
Investor Relations
53250 Bonn
Germany

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