Deutsche Post DHL Group

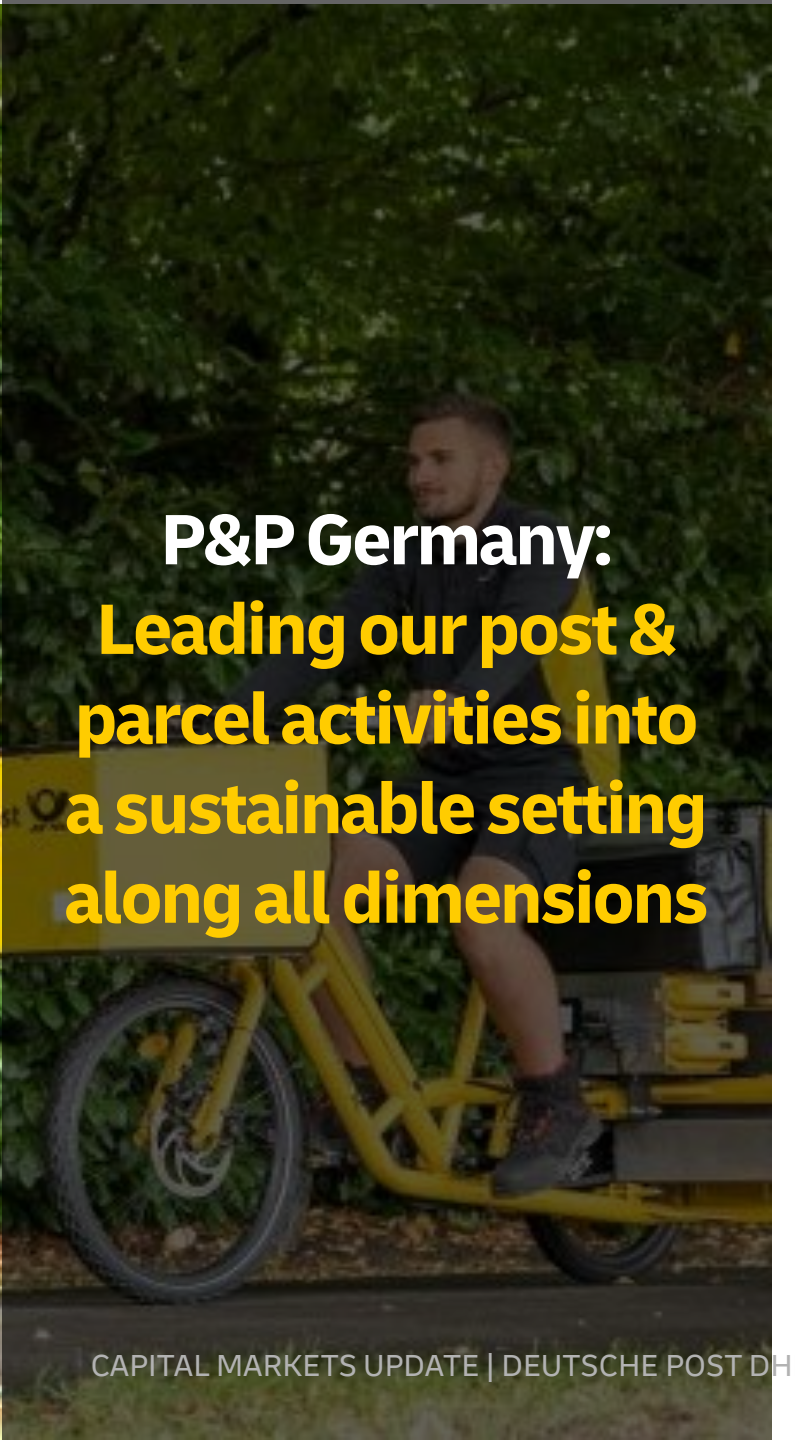
We have reached a **new performance level** and are delivering stronger than ever

ON A STABLE LEVEL

TOBIAS MEYER

CEO POST & PARCEL GERMANY

19 May 2022



P&P Germany: Leading our post & parcel activities into a sustainable setting along all dimensions

Investment Summary

- **German parcel and mail incumbent** with leading market positions
- Financial performance outlook: **stable long-term EBIT with consistent FCF** contribution
- Recognized **Top Employer** driving superior network and delivery quality
- **First mover in green delivery**: significantly lower CO_2e /parcel vs all delivery competitors in Germany
- **Digitalization and automation**: Highest productivity in the industry through scale, automation und digitalization

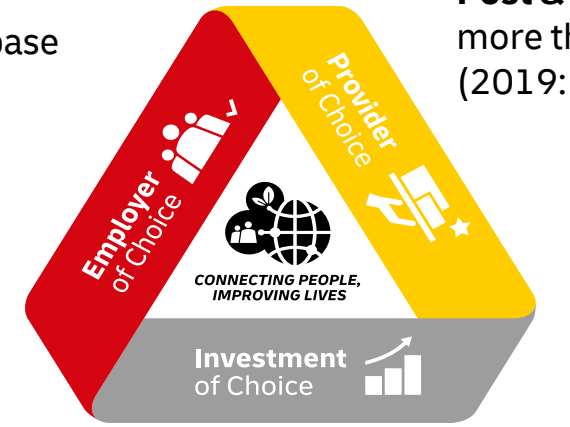
P&P Germany: Successful development during pandemic

EMPLOYER OF CHOICE

- Employee Opinion Survey: increase of **employee engagement** by 8pp. since 2019
- **Digitalization** of operational processes, e.g. Digi Delivery base

PROVIDER OF CHOICE

- Increase of **customer satisfaction** (NPS) by 40pt. for private customers since 2019
- **Post & DHL App**: monthly active users more than doubled to 5.8m in 2021 (2019: 2.6m)



SUSTAINABLE DEVELOPMENT

- Early and continued investment in **green last-mile & line-haul**
- Around 50 percent of all delivery districts have **carbon neutral delivery**

INVESTMENT OF CHOICE

- **Strong 2021 results** reflecting successful management of extraordinary parcel growth
- Sustainable **cash generation**

Post & Parcel Germany, Q1 2022 results

€4,245m
Revenue, Q1 2022
-7% yoy

€355m
EBIT, Q1 2022
-36% yoy

Post*		Parcel	
+7% yoy	**+3% yoy**	**-19% yoy**	**-15% yoy**
Volumes	Revenue	Volumes	Revenue

- Expected **B2C parcel normalization** against unusually high H1 2021 levels; Q1 2022 volumes however +19% above Q1 2019
- **Mail** volume and revenue increase, against structural trend, driven by rebound in (lower priced) Dialogue Marketing volume (+18% yoy)
- **Cost reduction** in purchased goods & services and staff costs (>3,000 lower FTE yoy), partly offset by negative COVID-19 impacts (high sickness rate, safety measures)
- **Current trends:** B2C normalization phase to continue into Q2

**Post = Mail Communication & Dialogue Marketing*

P&P Germany Market outlook: Expect gradual return to pre-pandemic growth, but accelerated mix effects

Mix shift from Mail to Parcel

- Capacity addition in Parcel vs. dis-economies of scale in Mail
- Need to accelerate expansion of combined delivery and to increase efficiency in mail distribution

Mix shift within Mail products

- Stronger recovery in Dialogue Marketing (DM) vs. Mail Communication (MC)
- Limited ability to increase prices in shrinking regulated segment

Accelerating our roadmap for further efficiency gains in all networks to counter increased negative mix effects

Leading P&P Germany into a sustainable setting: 3 core trends define agenda for our customer offering and operations

E-Commerce

Digitalization

Sustainability

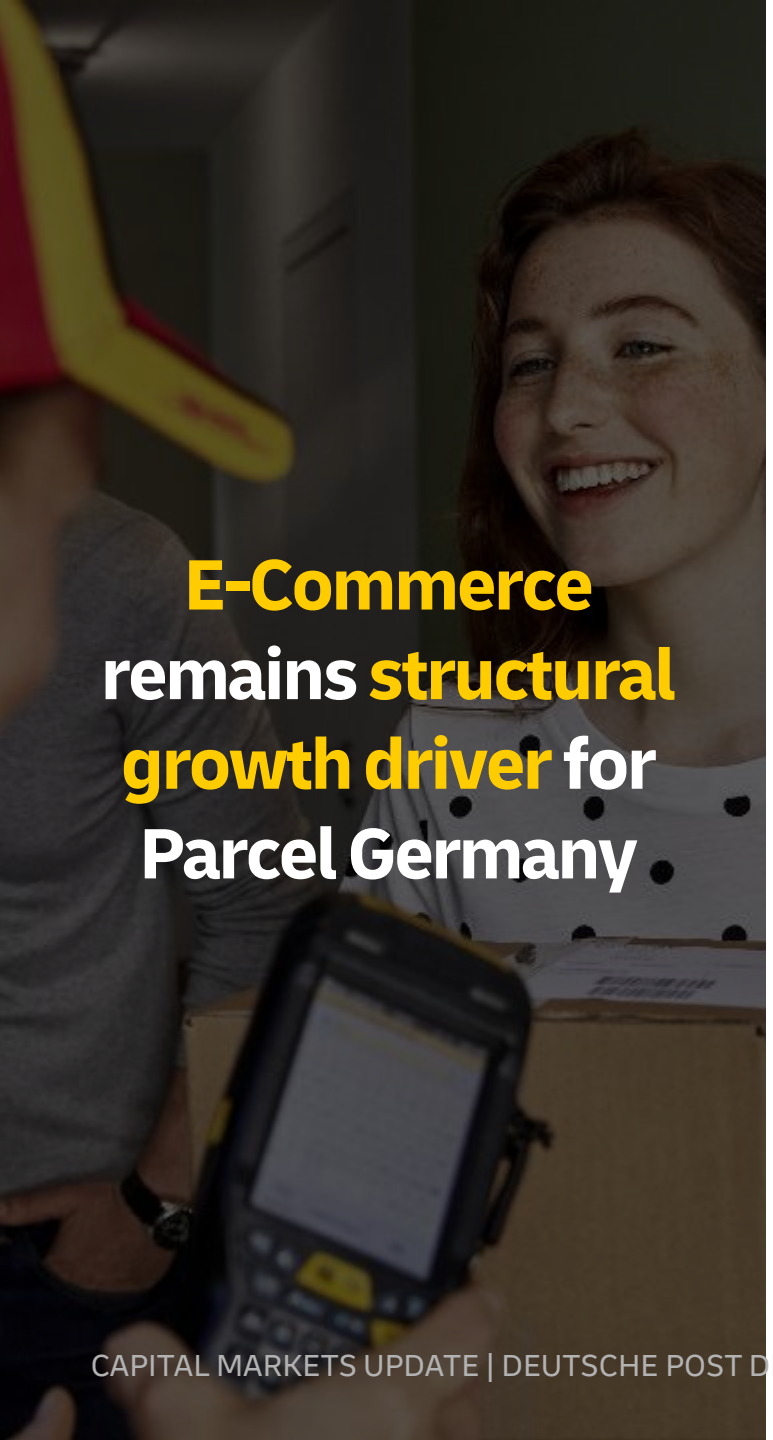
FOCUS: CUSTOMER

NIKOLA HAGLEITNER

CHIEF SALES OFFICER

POST & PARCEL GERMANY

19 May 2022



E-Commerce remains structural growth driver for Parcel Germany

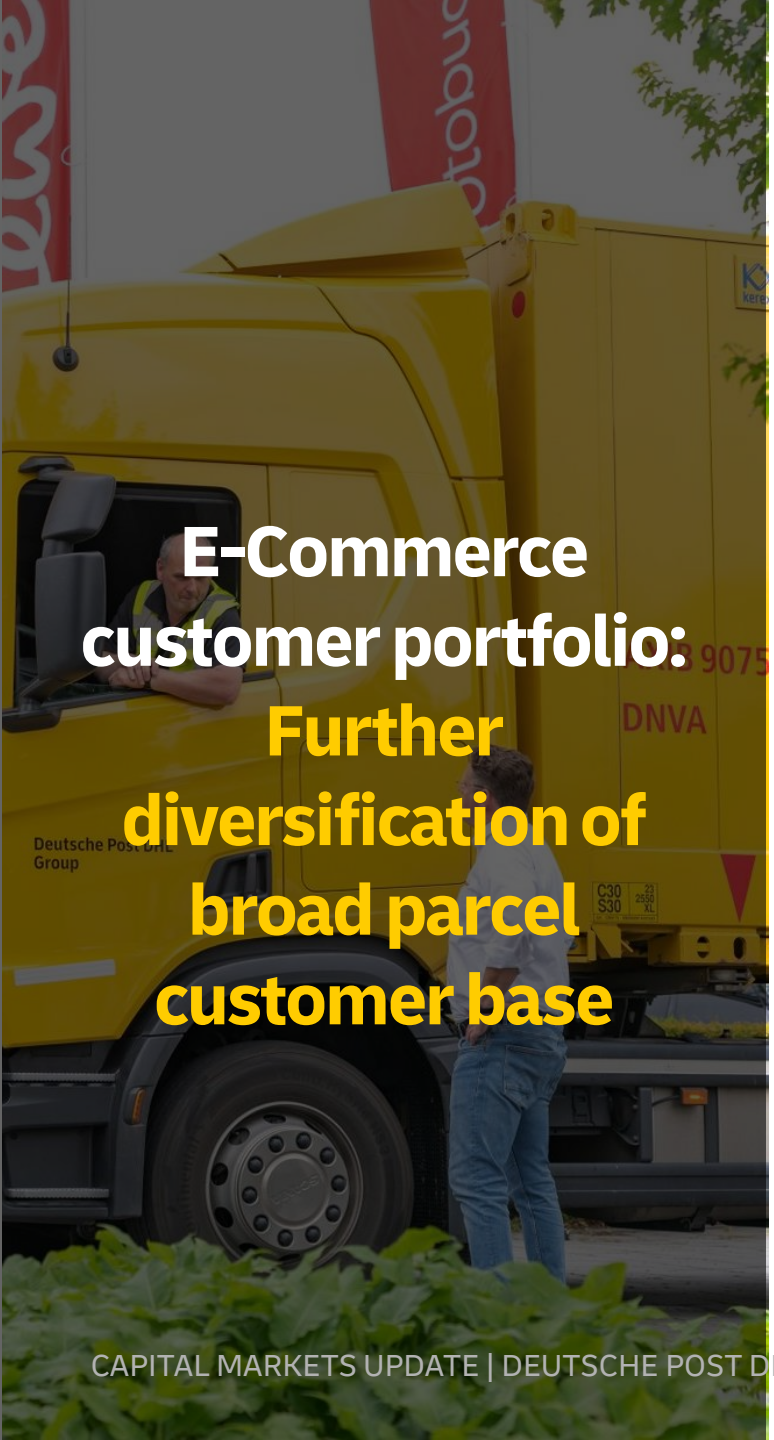
Short-term: Normalization of E-Commerce volumes

- Elevated parcel volume **comparison base** from **H1 2021**
- Consumer behavior currently also impacted by supply chain bottlenecks, inflation effect on disposable income and increased uncertainty due to war in Ukraine

Mid-term: E-Commerce will continue to grow structurally

- **Increasing** number of **online-shoppers and sellers**
- Despite reopening of stationary retail, **1/3 of online-shifters*** continues to **buy online** goods which have been bought in stationary stores pre-pandemic
- Pent-up demand: **Catch up of planned purchases** when products currently in shortage are available again

**Source: EHI Retail Institute / ECC Köln*



E-Commerce customer portfolio: Further diversification of broad parcel customer base

	Parcel Revenue 2021 (in € bn)	Revenue growth parcel (2020-2021)	# of customer parcel (2020-2021)
Top Accounts (~ 500 customers)	~ 3	+ 15%	+ 2%
Medium Accounts (~ 18.000 customers)	~ 3	+ 13%	+ 6%
Small Accounts (~ 110.000 customers)	~ 0.5	+ 29%	+ 13%

E-Commerce: Regular price increases one major instrument to counter cost inflation

Regular price increases:

Established process for Parcel business customers, on annual basis

Increase in German minimum wage:

3-step increase; very limited impact on our production costs; significant step-up for competition expected

2022:

Maintain consistent pricing strategy; **currently no interim price increase** planned, despite accelerated inflation, mainly in transport

2023:

Scope for **increased pricing headroom** in 2023 to counter inflation trend

Digitalization: Extensive portfolio of digital solutions for parcel and mail

Parcel receiving options

> 19m registered users for our flexible options (e.g. parcel locker, re-routing)

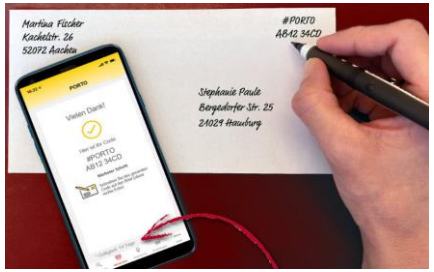
Post & DHL App

> 6m monthly active users of our mobile app

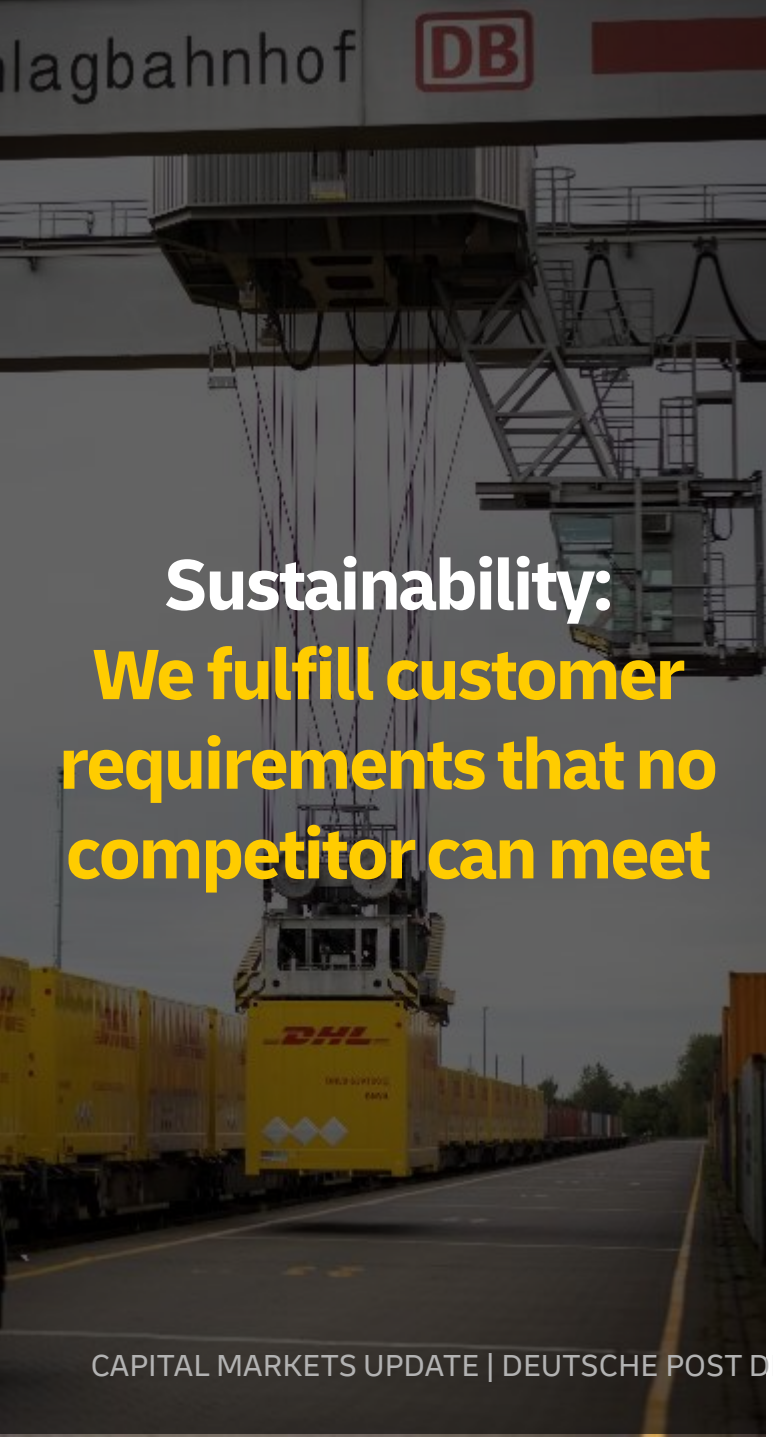
Mail notification

>1.8m users registered for our pre-notification service for incoming mails

Mobile Postage



>14m digital stamps sold (since market launch end of 2020)



Sustainability: We fulfill customer requirements that no competitor can meet

For public sector: Clean Vehicle Directive

- EU-wide commitment by the public sector to **binding quotas for the use of energy-efficient commercial vehicles**
- Deutsche Post DHL is currently the **only mail and parcel service provider** in Germany that can meet this requirement

For business customers: GoGreen Plus (insetting product)

- Reduction of emissions in **Deutsche Post DHL's own network**, e.g. by purchasing alternative fuels for transportation
- Shipping is **100% climate neutral**

For private customers: Service „Rail transport“

- Optional choice for climate-friendly **shipping by rail**
- Use of rail network for transport of **private customer parcels** on relevant routes

Deutsche Post DHL Group

We have reached a **new performance level** and are delivering stronger than ever

FOCUS: OPERATIONS

THOMAS SCHNEIDER

CHIEF PRODUCTION OFFICER
POST & PARCEL GERMANY

19 May 2022

EXAMPLES

Sustainability: Infrastructure is the foundation of our strategy – ramp up of green solutions further accelerated in 2022

Last Mile delivery

Emissions 4 times lower than competitors due to vehicle mix and very dense delivery network with ~3,000 depots

+30% yoy

~20,000 electric vehicles

+40% yoy

~12,600 e-trikes

Parcel lockers

30% less carbon emissions in the last mile

More than **+30%** yoy

~9,300 Packstations across Germany

Rail transportation

Share of transport via train already at 6-8%

>3,000 swap bodies per week by train

More than **+280%** yoy

swap bodies per week by train

E-Commerce & Digitalization: Productivity measures

DELIVERY

Systematic and stringent leverage of synergies in mail and parcel

Continue shifting parcel volume into **combined delivery**

Increase proportion of small-format **parcels in mail delivery**

Optimized sorting and delivery approach

Expansion of **alternating delivery patterns** in mail and combined delivery districts

Flexibilization in mail and combined deliveries

Introduction of seasonal and work-day **delivery patterns**

E-Commerce & Digitalization: Productivity measures

TRANSPORT & SORTING

Optimized utilization and increased flexibility in transport

- **Increase of transport utilization** e.g. by reduction of disposal-tours to outlets by >60%
- **Reduction of „standby“ tours** by >40%
- **More efficient capacity usage** in line haul – swap body loading >3% more efficient vs. 2021

Productivity growth in sorting centers

- Further roll out of **multiformat sorters i**n mail centers
- Greater flexibility in and adjustment of staffing via **seasonalized rostering**
- Further improvement of **shift planning and steering** (e. g. “BZ-Cockpit”, team leader concept)

Elimination of inefficient processes due to corona-pandemic situation; realization of structural measures to increase productivity

CONCLUSION

TOBIAS MEYER

CEO POST & PARCEL GERMANY

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P&P GERMANY

FINANCIAL OUTLOOK

Market (2022 – 25)

Market growth assumptions

- Mail volume: decline of -2 to -3% p.a.
- Parcel volume: growth of +5 to +7% p.a.

Expected growth vs. market

IN LINE

IN LINE

- Increase vs. traditional competitors
- Decrease vs. market incl. Amazon

Capex Outlook

- Capex of €600-1,000m p.a. for the next years – 2022 at the upper end due to completion of capacity step-up in parcel sorting
- Growing share of climate-related investments
- Expansion of Parcel infrastructure (e.g. Packstation, hubs, depots, fleet), new sorting concepts and digitalization

EBIT Outlook

2022

- € 1.5bn +/- 10%

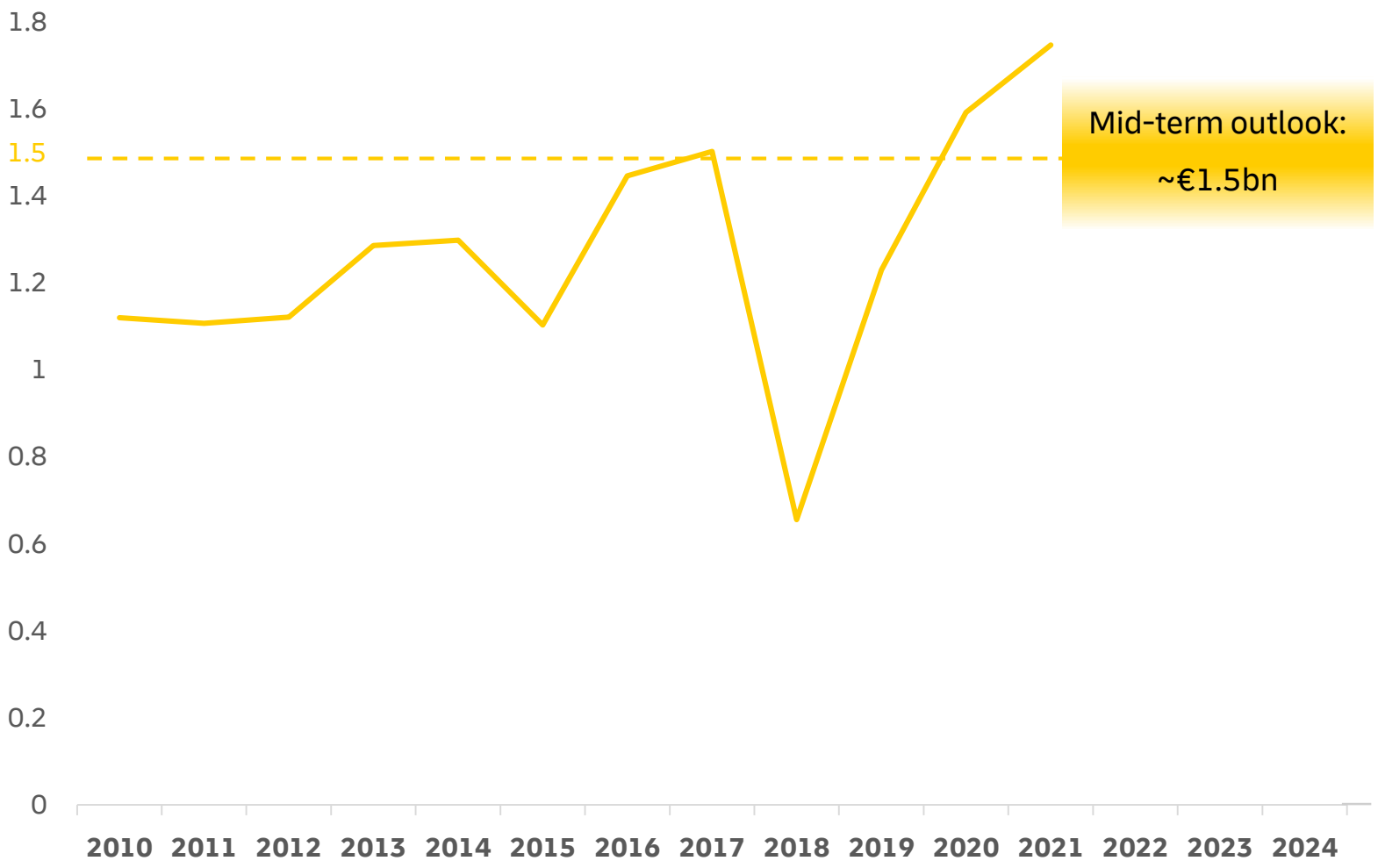
Beyond 2022

- Stable EBIT at ~€1.5bn

P&P Germany: Stable EBIT at €~1.5bn with consistent FCF contribution

P&P EBIT history and outlook

in €bn



P&P Germany: Financial outlook & moving parts

Opportunities

Price increases **Productivity** measures Strong **parcel growth** Stable **mail volumes**	**Price** increases **Productivity** measures	**Price** increases **Productivity** measures **Macro** conditions (minimum wage, sustainability)

2020 EBIT: €1.6bn

2021 EBIT: €1.7bn	**2022 EBIT: €1.5bn +/- 10%**	**Mid-term EBIT: €~1.5bn**
Structural **mix effects**	Slower **parcel** growth (H1 2021 base effect) Additional cost **omicron wave** (Q1) Accelerating **cost inflation** Accelerated structural **mix effects**	Increasing **competition parcel** Regular **cost inflation** Accelerated structural **mix effects**

Risks

+

Stable EBIT at €~1.5bn with consistent FCF contribution

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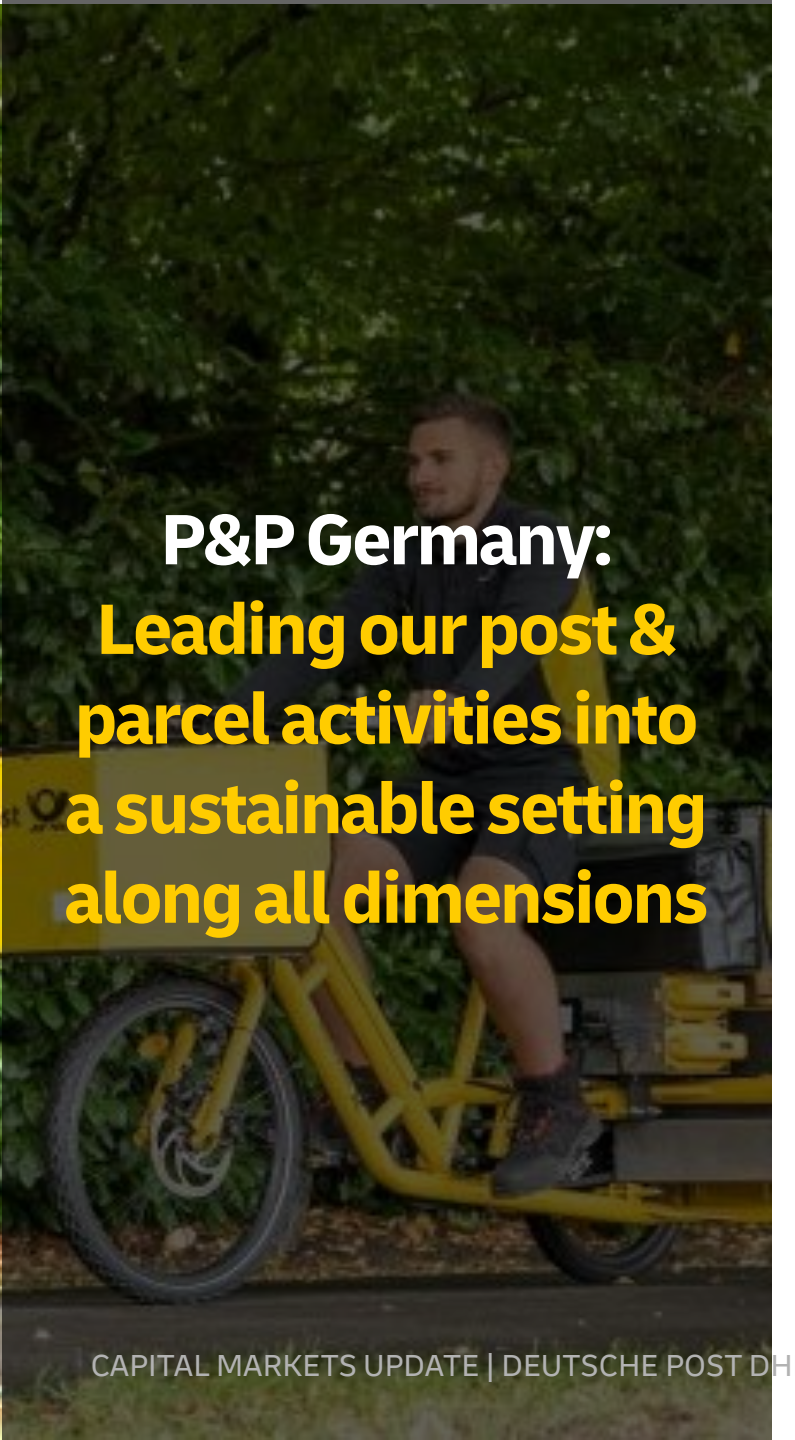

P&P Germany: Leading our post & parcel activities into a sustainable setting along all dimensions

Wrap-up

- **Successful development** during pandemic
- Market trends **normalizing as expected in 2022**
- **Accelerated inflation** with short-term negative, but mid-term positive impact (minimum wage)
- **E-Commerce** remains strong **structural growth driver**
- First mover in **Sustainability**, turning into increasing **commercial opportunity**
- Continued **structural measures** in operations for **increasing productivity**