Interim Report
as at 30 June 2018

2 | 18

MAIL COMMUNICATION
Mail items (millions)

Q2 | 2018 1,808

Q2 | 2017, adjusted 1,861

Change
–2.8%

PARCEL GERMANY
Parcels (millions)

Q2 | 2018 350

Q2 | 2017, adjusted 317

Change
+10.4%

TIME DEFINITE INTERNATIONAL (TDI)
Thousands of items per day

Q2 | 2018 965

Q2 | 2017 890

Change
+8.4%

CONSOLIDATED NET PROFIT FOR THE PERIOD
€m [1]

Q2 | 2018 516

Q2 | 2017 602

Change
–14.3%

EARNINGS PER SHARE
€ [2]

Q2 | 2018 0.42

Q2 | 2017 0.50

Change
–16.0%

RETURN ON SALES
%

5.0

Q2 | 2017
5.7

REVENUE
€m

15,026

Q2 | 2017
14,813

Change
+1.4%

EBIT
Profit from operating activities, €m

747

Q2 | 2017
841

Change
–11.2%

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

Deutsche Post DHL Group

SELECTED KEY FIGURES

		H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Revenue	€m	29,696	29,775	0.3	14,813	15,026	1.4
Profit from operating activities (EBIT)	€m	1,726	1,652	–4.3	841	747	–11.2
Return on sales[1]	%	5.8	5.5	–	5.7	5.0	–
EBIT after asset charge (EAC)	€m	932	452	–51.5	445	139	–68.8
Consolidated net profit for the period[2]	€m	1,235	1,116	–9.6	602	516	–14.3
Free cash flow	€m	–45	–391	<–100	385	288	–25.2
Net debt[3]	€m	1,938	13,375	>100	–	–	–
Earnings per share[4]	€	1.02	0.91	–10.8	0.50	0.42	–16.0
Number of employees[5]		519,544	532,859	2.6	–	–	–

[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 number as at 31 December.

CONTENTS

GENERAL INFORMATION

Organisation

Jürgen Gerdes resigned his mandate on the Board of Management on 12 June 2018. Thomas Ogilvie has now assumed responsibility for the Corporate Incubations board department in addition to his duties as Board Member for Human Resources and Labour Director for the Group.

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. For reasons of comparability, we have therefore added interest payments and repayments of lease liabilities to free cash flow, the relevant management KPI Calculation of free cash flow, page 5. 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 global economy continued to post solid growth in the first half of the year, although some industrial nations lagged behind.

Growth remained robust in Asia, with Chinese economic growth remaining stable. By contrast, economic output rose only slightly in Japan.

The US economy picked up notably in the second quarter and the strong upwards trend in gross fixed capital formation continued. Private consumption remained the main growth driver, whereas foreign trade had a slight dampening effect. In the first half of the year, the US Federal Reserve increased its key interest rate in two steps by 0.50 percentage points in total, with rates moving to 1.75% to 2.00%.

The economic upswing in the eurozone continued in the first half of the year, albeit with slowing momentum. Private consumption and gross fixed capital formation continued to show solid growth. The upwards trend in exports softened, however, with foreign trade having a slightly negative impact on growth. The rate of inflation increased notably until the middle of the year, due primarily to rising oil prices. The European Central Bank kept its key interest rate at 0.00% and continued its bond-buying programme as planned.

In Germany, the pace of economic growth slowed somewhat in the first half, despite the strong momentum coming from investments in machinery and equipment and construction spending. Private consumption also made solid gains, whilst government spending and foreign trade posted slight declines. These declines were reflected in corporate sentiment, as shown in the sharp decline posted by the ifo German Business Climate index, which did however remain above the long-term average.

Significant events

In early June, the Board of Management decided upon measures to secure sustainable earnings growth in the Post - eCommerce - Parcel (PeP) division. The measures decided upon are designed to further improve productivity, indirect costs and yield management in the Post and Parcel business. We have adjusted our forecasts for EBIT, EAC and free cash flow for the current financial year to reflect the change, Expected developments, page 13 f.

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

		H1 2017	H1 2018	Q2 2017	Q2 2018
Revenue	€m	29,696	29,775	14,813	15,026
Profit from operating activities (EBIT)	€m	1,726	1,652	841	747
Return on sales[1]	%	5.8	5.5	5.7	5.0
EBIT after asset charge (EAC)	€m	932	452	445	139
Consolidated net profit for the period[2]	€m	1,235	1,116	602	516
Earnings per share[3]	€	1.02	0.91	0.50	0.42

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

Portfolio and reporting changed

To reflect the importance of state-of-the-art mobility solutions such as our StreetScooter electric vehicles and other technological innovations, we have transferred these activities out of the Post - eCommerce - Parcel division and combined them in the new Corporate Incubations board department. The new board department will act as an incubator for mobility solutions, digital platforms and automation. The results of Corporate Incubations and Corporate Center/Other are now presented together in Corporate Functions. The prior-period amounts were adjusted accordingly.

In the second quarter, we acquired the Colombian Suppla Group, a specialist in transport, warehousing and packaging services. The acquisition is intended to strengthen DHL Supply Chain's presence in Latin America, note 2 to the consolidated financial statements.

Currency effects weigh on revenue growth

Consolidated revenue rose by €79 million to €29,775 million in the first half of 2018, although currency effects reduced it by €1,200 million. The proportion of revenue generated abroad decreased from 70.0% to 69.2%. Revenue for the second quarter of 2018 was up by €213 million to €15,026 million. It was also significantly reduced by currency effects of €421 million.

In the first half of 2018, other operating income rose from €986 million to €1,053 million, partly because it included higher income from work performed and capitalised relating to the production of StreetScooter electric vehicles.

Depreciation, amortisation and impairment losses higher

Materials expense decreased by €718 million to €15,252 million. The decline is attributable mainly to currency effects of €722 million and the discontinuation of lease expenses as a result of the initial application of IFRS 16. Transport and fuel costs, on the other hand, showed an increase. Staff costs were up slightly on the prior-year figure (€10,094 million) to €10,152 million, although currency effects reduced them by €297 million. The application of IFRS 16 in particular caused depreciation, amortisation and impairment losses to rise sharply by €855 million to €1,576 million. Other operating expenses rose from €2,173 million to €2,197 million, amongst other things because of negative effects from customer contracts in the Supply Chain division.

Consolidated EBIT down by 4.3%

Profit from operating activities (EBIT) was down by 4.3% on the prior-year figure (€1,726 million) to €1,652 million in the first half of 2018, partly because the earnings situation in the PeP division deteriorated. Net finance costs increased from €182 million to €270 million, due primarily to interest expenses on lease liabilities. Profit before income taxes decreased by €162 million to €1,382 million. Income taxes also fell due to, amongst other things, a lower tax rate, dropping by €39 million to €193 million.

Consolidated net profit below prior-year figure

Consolidated net profit was down on the prior-year figure (€1,312 million) to €1,189 million in the first half of 2018. Of this amount, €1,116 million was attributable to Deutsche Post AG shareholders and €73 million to non-controlling interest shareholders. Basic earnings per share declined from €1.02 to €0.91 and diluted earnings per share from €1.00 to €0.89.

Changes in revenue, other operating income and operating expenses, H1 2018

	€m	+/– %	
Revenue	29,775	0.3	• Currency effects reduce figure by €1,200 million
Other operating income	1,053	6.8	• Higher income from work performed and capitalised (StreetScooter)
Materials expense	15,252	–4.5	• Currency effects reduce figure by €722 million • Reduction due to initial application of IFRS 16 • Higher transport and fuel costs
Staff costs	10,152	0.6	• Currency effects reduce figure by €297 million
Depreciation, amortisation and impairment losses	1,576	>100	• Increase due to initial application of IFRS 16
Other operating expenses	2,197	1.1	• Contain negative effects from customer contracts

EAC down

EAC declined from €932 million to €452 million in the first half of 2018. The imputed asset charge rose sharply due to the lease assets newly recognised in accordance with IFRS 16, as a result of which EAC fell at a greater rate than EBIT.

EBIT after asset charge (EAC)

€m

	H1 2017	H1 2018	+/– %
EBIT	1,726	1,652	–4.3
– Asset charge	–794	–1,200	–51.1
= EAC	932	452	–51.5

Financial position

Selected cash flow indicators

€m

	H1 2017	H1 2018	Q2 2017	Q2 2018
Cash and cash equivalents as at 30 June	1,653	2,011	1,653	2,011
Change in cash and cash equivalents	–1,389	–1,089	–945	–385
Net cash from operating activities	816	1,723	726	1,355
Net cash used in investing activities	–619	–580	–297	–45
Net cash used in financing activities	–1,586	–2,232	–1,374	–1,695

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 are pursued as part of our finance strategy. However, the use of excess liquidity has been limited to paying out special dividends or executing share buyback programmes.

The FFO to debt performance metric decreased in the first half 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) and the dividend paid out for financial year 2017. The amount of interest paid went up because it now includes interest paid for leases.

FFO to debt

€m	1 Jan. to 31 Dec. 2017	1 July 2017 to 30 June 2018
Operating cash flow before changes in working capital	3,418	4,476
+ Interest received	52	53
– Interest paid	160	323
+ Adjustment for operating leases	1,641	821
+ Adjustment for pensions	567	370
= **Funds from operations (FFO)**	**5,518**	**5,397**
Reported financial liabilities[1]	6,050	15,728
– Financial liabilities at fair value through profit or loss[1]	44	47
+ Adjustment for operating leases[1]	9,406	0
+ Adjustment for pensions[1]	4,323	4,556
– Surplus cash and near-cash investments[1,2]	2,503	844
= **Debt**	**17,232**	**19,393**
FFO to debt (%)	**32.0**	**27.8**

[1] As at 31 December 2017 and 30 June 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 30 June 2018, the Group had cash and cash equivalents of €2.0 billion.

Higher capital expenditure for assets acquired

Investments in property, plant and equipment and intangible assets (not including goodwill) for assets acquired amounted to €876 million in the first half of 2018 (previous year: €682 million). Please refer to notes 10 and 16 to the consolidated financial statements for a breakdown of capital expenditure (capex) into asset classes and regions.

Capex and depreciation, amortisation and impairment losses, H1

	PeP adjusted[1]		Express		Global Forwarding, Freight		Supply Chain		Corporate Functions adjusted[1]		Consolidation[1,2]		Group	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Capex (€m) relating to assets acquired	189	315	262	298	36	45	136	137	53	80	6	1	**682**	**876**
Capex (€m) relating to leased assets	1	48	1	285	1	80	0	379	0	311	0	0	**3**	**1,103**
Total (€m)	**190**	**363**	**263**	**583**	**37**	**125**	**136**	**516**	**53**	**391**	**6**	**1**	685	1,979
Depreciation, amortisation and impairment losses (€m)	175	214	262	549	34	114	150	396	100	303	0	0	**721**	**1,576**
Ratio of total capex to depreciation, amortisation and impairment losses	1.09	1.70	1.00	1.06	1.09	1.10	0.91	1.30	0.53	1.29	–	–	**0.95**	**1.26**

[1] Reclassification of Corporate Incubations to Corporate Functions.
[2] Including rounding.

Capex and depreciation, amortisation and impairment losses, Q2

	PeP adjusted[1]		Express		Global Forwarding, Freight		Supply Chain		Corporate Functions adjusted[1]		Consolidation[1,2]		Group	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Capex (€m) relating to assets acquired	96	200	130	218	19	25	75	67	30	41	–1	–2	**349**	**549**
Capex (€m) relating to leased assets	1	20	1	165	0	43	0	266	0	140	0	0	**2**	**634**
Total (€m)	**97**	**220**	**131**	**383**	**19**	**68**	**75**	**333**	**30**	**181**	**–1**	**–2**	351	1,183
Depreciation, amortisation and impairment losses (€m)	88	109	144	282	17	58	75	204	50	153	0	1	**374**	**807**
Ratio of total capex to depreciation, amortisation and impairment losses	1.10	2.02	0.91	1.36	1.12	1.17	1.00	1.63	0.60	1.18	–	–	**0.94**	**1.47**

[1] Reclassification of Corporate Incubations to Corporate Functions.
[2] Including rounding.

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.

In the Express division, we invested in the expansion of our network infrastructure, particularly in Leipzig, Cincinnati, Hong Kong, Singapore and Madrid. Capital spending also focused upon continuous maintenance and renewal of our aircraft fleet, including initial advance payments for the planned renewal of the Express intercontinental aircraft fleet.

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

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

Capital expenditure increased at Corporate Functions during the reporting period, with growing investments in IT equipment and expanding production of the StreetScooter electric vehicle.

Higher operating cash flow

All non-cash income and expenses were adjusted based on EBIT, which at €1,652 million was down on the prior-year figure (€1,726 million). Depreciation, amortisation and impairment losses rose from €721 million to €1,576 million due to the initial recognition of lease assets. The application of IFRS 16 was the main reason for the significant increase in net cash from operating activities before changes in working capital, by €1,058 million to €2,806 million. The cash outflow from changes in working capital rose by €151 million, due primarily to a reduction in liabilities and other items.

At €580 million, net cash used in investing activities was below the prior-year figure (€619 million), which had included a cash inflow of €200 million from the sale of money market funds. In the reporting period, we sold money market funds amounting to €500 million. By contrast, the cash outflow to acquire property, plant and equipment and intangible assets was €196 million higher than in the previous year.

Calculation of free cash flow

€m

	H1 2017	H1 2018	Q2 2017	Q2 2018
Net cash from operating activities	**816**	**1,723**	**726**	**1,355**
Sale of property, plant and equipment and intangible assets	82	45	31	23
Acquisition of property, plant and equipment and intangible assets	–869	–1,065	–334	–508
Cash outflow from change in property, plant and equipment and intangible assets	**–787**	**–1,020**	**–303**	**–485**
Disposals of subsidiaries and other business units	0	0	0	0
Disposals of investments accounted for using the equity method and other investments	3	0	3	0
Acquisition of subsidiaries and other business units	–4	–51	0	–49
Acquisition of investments accounted for using the equity method and other investments	–23	–29	0	–12
Cash outflow/inflow from acquisitions/divestitures	**–24**	**–80**	**3**	**–61**
Proceeds from sale and leaseback transactions	–	13	–	13
Repayment of lease liabilities	–	–815	–	–417
Interest on lease liabilities	–	–183	–	–94
Cash outflow from leases	**–**	**–985**	**–**	**–498**
Interest received	25	26	15	14
Interest paid (not including leases)	–75	–55	–56	–37
Net interest paid	**–50**	**–29**	**–41**	**–23**
Free cash flow	**–45**	**–391**	**385**	**288**

In order to ensure the comparability of free cash flow figures, the cash outflows from interest payments and the repayment of lease liabilities have been included in addition to depreciation of and impairment losses on lease assets. Free cash flow deteriorated from €–45 million to €–391 million for reasons including a €233 million increase in the cash outflow from the change in property, plant and equipment and intangible assets compared with the prior-year figure (€787 million) and an increase in the cash outflow from changes in working capital.

At €2,232 million, net cash used in financing activities was €646 million higher than in the prior-year period (€1,586 million). Lease payments in particular were responsible for the increase in the reporting period. In addition, we paid our shareholders a dividend of €1,409 million, an increase of €139 million. In the previous year, the purchase of treasury shares led to a cash outflow of €148 million, and in June 2017 we repaid a bond.

Cash and cash equivalents declined from €3,135 million as at 31 December 2017 to €2,011 million.

Net assets

Selected indicators for net assets

		31 Dec. 2017	30 June 2018
Equity ratio	%	33.4	26.2
Net debt	€m	1,938	13,375
Net interest cover[1]		34.5	7.8
Net gearing	%	13.1	51.8

[1] In the first half of the year.

Consolidated total assets up sharply

The Group's total assets amounted to €47,392 million as at 30 June 2018, €8,720 million higher than at 31 December 2017 (€38,672 million).

Non-current assets increased substantially due to the application of IFRS 16. The recognition of right-of-use assets from leases increased property, plant and equipment by €9.1 billion. Other current assets rose by €511 million to €2,695 million. This figure includes the deferred expense of €224 million at the reporting date that was recognised for the prepaid annual contribution to civil servant pensions to the *Bundesanstalt für Post und Telekommunikation.* Current financial assets fell from €652 million to €145 million, due in particular to our sale of money market funds amounting to €500 million. The €1,124 million decrease in cash and cash equivalents to €2,011 million is described in the section entitled Financial position, page 5 f.

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders declined by €534 million to €12,103 million: consolidated net profit for the period and a capital increase in connection with the convertible bond increased this figure, whilst actuarial losses on pension obligations and the dividend payment decreased it. Financial liabilities were up considerably, from €6,050 million to €15,728 million, due in particular to the initial recognition of lease liabilities of €9.2 billion. Trade payables decreased from €7,343 million to €6,584 million. Other current liabilities rose from €4,402 million to €4,561 million, because of the application of IFRS 15 in particular, note 4 to the consolidated financial statements. Provisions changed from €7,078 million to €7,174 million, due primarily to a rise in pension provisions as a result of actuarial losses.

Net debt increases to €13,375 million

Our net debt rose from €1,938 million as at 31 December 2017 to €13,375 million as at 30 June 2018 on account of the increase in lease liabilities due mainly to the application of IFRS 16. 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 26.2%, the equity ratio was well below the figure as at 31 December 2017 (33.4%), primarily because the 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 34.5 to 7.8 due to interest payments on lease liabilities incurred as a result of the application of IFRS 16. Net gearing was 51.8% as at 30 June 2018.

Net debt

€m

	31 Dec. 2017	30 June 2018
Non-current financial liabilities	5,101	12,747
+ Current financial liabilities	794	2,784
= **Financial liabilities**[1]	**5,895**	**15,531**
– Cash and cash equivalents	3,135	2,011
– Current financial assets	652	145
– Positive fair value of non-current financial derivatives[2]	170	0
= **Financial assets**	**3,957**	**2,156**
Net debt	**1,938**	**13,375**

[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	H1 2017 adjusted[1]	H1 2018	+/– %	Q2 2017 adjusted[1]	Q2 2018	+/– %
Revenue	8,812	9,022	2.4	4,267	4,410	3.4
of which Post	4,901	4,836	–1.3	2,343	2,316	–1.2
eCommerce - Parcel	4,044	4,328	7.0	1,991	2,164	8.7
Other/Consolidation PeP	–133	–142	–6.8	–67	–70	–4.5
Profit from operating activities (EBIT)	685	499	–27.2	260	108	–58.5
of which Germany	677	501	–26.0	265	102	–61.5
International Parcel and eCommerce	8	–2	<–100	–5	6	>100
Return on sales (%)[2]	7.8	5.5	–	6.1	2.4	–
Operating cash flow	459	321	–30.1	269	375	39.4

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

Revenue exceeds prior-year level

In the first half of 2018, revenue in the division was €9,022 million, 2.4% above the prior-year figure of €8,812 million, although there were 0.6 fewer working days in Germany. Growth continued to be driven by the eCommerce - Parcel business unit. Negative currency effects of €87 million were recorded in the first half of the year. Revenue for the second quarter of 2018 was up 3.4% compared with the prior-year period.

Post business unit experiences slight revenue decline

In the Post business unit, revenue was €4,836 million in the first half of 2018 and thus 1.3% below the prior-year level of €4,901 million. Volumes declined by 3.8%. Revenue in the second quarter of 2018 amounted to €2,316 million (previous year: €2,343 million).

As expected, revenue and volumes in the Mail Communication business remained in decline on the whole, mainly due to electronic substitution. In the Dialogue Marketing business, revenue and volumes fell in the first half of the year, in part because the prior-year reporting period 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 on-going trend towards merchandise shipments.

Post: revenue

€m	H1 2017 adjusted[1]	H1 2018	+/– %	Q2 2017 adjusted[1]	Q2 2018	+/– %
Mail Communication	3,151	3,143	–0.3	1,500	1,484	–1.1
Dialogue Marketing	1,123	1,084	–3.5	543	530	–2.4
Other/Consolidation Post	627	609	–2.9	300	302	0.7
Total	**4,901**	**4,836**	**–1.3**	**2,343**	**2,316**	**–1.2**

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

Post: volumes

Mail items (millions)	H1 2017 adjusted[1]	H1 2018	+/– %	Q2 2017 adjusted[1]	Q2 2018	+/– %
Total	9,221	8,869	–3.8	4,391	4,246	–3.3
of which Mail Communication	4,015	3,853	–4.0	1,861	1,808	–2.8
of which Dialogue Marketing	4,322	4,163	–3.7	2,074	2,001	–3.5

[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 €4,328 million in the first half of 2018, exceeding the prior-year figure of €4,044 million by 7.0%. Growth in the second quarter of 2018 amounted to 8.7%.

Revenue in the Parcel Germany business increased by 7.8% to €2,630 million in the first half of the year (previous year: €2,440 million). Volumes rose by 8.9% to 700 million parcels.

In the Parcel Europe business, revenue grew by 11.6% to €1,080 million (previous year: €968 million).

In the DHL eCommerce business, revenue for the first half of the year increased 5.1% on the prior year to €789 million. Excluding negative currency effects, growth was 15.4%.

eCommerce - Parcel: revenue

€m	H1 2017 adjusted[1]	H1 2018	+/– %	Q2 2017 adjusted[1]	Q2 2018	+/– %
Parcel Germany	2,440	2,630	7.8	1,198	1,310	9.3
Parcel Europe[2]	968	1,080	11.6	482	546	13.3
Consolidation Parcel	–115	–171	–48.7	–58	–89	–53.4
Parcel total	**3,293**	**3,539**	**7.5**	**1,622**	**1,767**	**8.9**
DHL eCommerce[3]	751	789	5.1	369	397	7.6
Total	**4,044**	**4,328**	**7.0**	**1,991**	**2,164**	**8.7**

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

Parcel Germany: volumes

Mail items (millions)	H1 2017 adjusted[1]	H1 2018	+/– %	Q2 2017 adjusted[1]	Q2 2018	+/– %
Total	643	700	8.9	317	350	10.4

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

EBIT declines significantly

EBIT in the division decreased significantly by 27.2% to €499 million in the first half of 2018 (previous year: €685 million). The decrease was due mainly to higher costs for material and labour – including €51 million for the announced early retirement programme – as well as on-going investments in the parcel network, which were offset in part by non-recurring income from the remeasurement of pension obligations in the amount of €108 million. Return on sales fell to 5.5% (previous year: 7.8%). Division EBIT for the second quarter amounted to €108 million (previous year: €260 million). Operating cash flow decreased to €321 million in the first half, due primarily to the decline in EBIT. In view of the decline in profitability in the division, the Group decided upon a range of measures in June and adjusted its forecast for the year, Expected developments, page 13 f.

EXPRESS DIVISION

Key figures of the EXPRESS division

€m	H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Revenue	7,345	7,818	6.4	3,750	4,046	7.9
of which Europe	3,230	3,548	9.8	1,635	1,802	10.2
Americas	1,472	1,571	6.7	754	823	9.2
Asia Pacific	2,748	2,770	0.8	1,415	1,448	2.3
MEA (Middle East and Africa)	562	565	0.5	282	290	2.8
Consolidation/Other	–667	–636	4.6	–336	–317	5.7
Profit from operating activities (EBIT)	865	978	13.1	469	517	10.2
Return on sales (%)[1]	11.8	12.5	–	12.5	12.8	–
Operating cash flow	882	1,374	55.8	542	753	38.9

[1] EBIT/revenue.

International business continues to grow

Revenue in the division increased by 6.4% to €7,818 million in the first half of 2018 (previous year: €7,345 million). This includes negative currency effects of €455 million. Excluding these effects, the increase in revenue was 12.6%. 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 10.1%.

In the Time Definite International (TDI) product line, revenues per day increased by 11.1% and per-day shipment volumes by 9.0% in the first half of 2018. Revenues per day for the second quarter of 2018 were up by 9.7% and per-day shipment volumes by 8.4%.

In the Time Definite Domestic (TDD) product line, revenues per day increased by 9.5% in the first half of 2018 and per-day shipment volumes by 8.1%. Growth in the second quarter amounted to 7.0% for revenues per day and 6.4% for per-day shipment volumes.

EXPRESS: revenue by product

€m per day[1]	H1 2017 adjusted[1]	H1 2018	+/– %	Q2 2017 adjusted[1]	Q2 2018	+/– %
Time Definite International (TDI)	44.3	49.2	11.1	46.5	51.0	9.7
Time Definite Domestic (TDD)	4.2	4.6	9.5	4.3	4.6	7.0

[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	H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Time Definite International (TDI)	857	934	9.0	890	965	8.4
Time Definite Domestic (TDD)	443	479	8.1	451	480	6.4

Sharp rise in revenues and volumes in Europe region

Revenue in the Europe region increased by 9.8% to €3,548 million in the first half of the year (previous year: €3,230 million). This included negative currency effects of €66 million, which related mainly to Turkey and Russia. Excluding these effects, revenue growth was 11.9%. In the TDI product line, revenues per day increased by 14.0%. Per-day shipment volumes improved by 10.9%. International per-day revenues for the second quarter of 2018 were up by 13.1% and per-day shipment volumes by 11.1%.

Momentum remains strong in Americas region

In the Americas region, revenue rose by 6.7% in the first half of 2018 to €1,571 million (previous year: €1,472 million). This included negative currency effects of €157 million, which related primarily to the United States. Excluding these effects, revenue in the region rose by 17.4%. In the TDI product line, per-day shipments were up by 12.9% compared with the previous year. Revenues per day increased by 14.7%. Growth in the second quarter of 2018 amounted to 12.6% for revenues per day and 8.8% for per-day volumes.

Business in the Asia Pacific region grows steadily

Revenue in the Asia Pacific region increased by 0.8% in the first half of 2018 to €2,770 million (previous year: €2,748 million). This included negative currency effects of €173 million, most of which related to Hong Kong. Excluding these effects, revenue growth was 7.1%. In the TDI product line, revenues per day rose by 7.1% and per-day volumes by 4.8%. Growth in the second quarter of 2018 amounted to 5.4% for revenues per day and 4.3% for per-day volumes.

International business in the MEA region performs well

Revenue in the MEA region (Middle East and Africa) improved by 0.5% in the first half of the year to €565 million (previous year: €562 million). This included negative currency effects of €51 million, most of which related to the United Arab Emirates. Excluding these effects, revenue growth was 9.6%. TDI revenues per day rose by 9.6% and per-day volumes by 12.5%. International per-day revenues for the second quarter of 2018 were up by 7.0% and per-day shipment volumes by 9.6%.

EBIT and operating cash flow considerably above prior-year level

EBIT in the division rose by 13.1% to €978 million in the first half of 2018 (previous year: €865 million), driven by network improvements and growing international business. Return on sales increased from 11.8% to 12.5%. In the second quarter, EBIT improved by 10.2% to €517 million and return on sales increased from 12.5% to 12.8%. Operating cash flow rose to €1,374 million in the first half of the year (previous year: €882 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures of the GLOBAL FORWARDING, FREIGHT division

€m	H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Revenue	7,158	7,293	1.9	3,612	3,702	2.5
of which Global Forwarding	5,063	5,143	1.6	2,560	2,609	1.9
Freight	2,171	2,222	2.3	1,091	1,130	3.6
Consolidation/Other	−76	−72	5.3	−39	−37	5.1
Profit from operating activities (EBIT)	107	175	63.6	67	105	56.7
Return on sales (%)[1]	1.5	2.4	–	1.9	2.8	–
Operating cash flow	−100	170	> 100	−36	200	> 100

[1] EBIT/revenue.

Currency effects reduce revenue growth

Revenue in the division increased by 1.9% to €7,293 million in the first half of 2018 (previous year: €7,158 million). Excluding negative currency effects of €336 million, revenue was up 6.6% year-on-year. Revenue for the second quarter of 2018 rose by 2.5% compared with the second quarter of 2017. In the Global Forwarding business unit, revenue for the first half of the year was up by 1.6% to €5,143 million (previous year: €5,063 million). Excluding negative currency effects of €296 million, the increase was 7.4%. At €1,201 million, gross profit for the business unit increased compared with the prior-year figure of €1,187 million, despite negative currency effects.

Margin improvement in air freight

Air freight volumes dropped by 3.9% in the first half of 2018. The decline is attributable to adjustments we make in our portfolio of customers in order to improve margins. However, since we are now passing on freight rate increases to customers to a greater extent than in the past, our air freight revenue rose by 4.2% in the first half, despite lower volumes. Gross profit improved by 6.0%. Air freight revenue rose by 5.1% in the second quarter, whilst gross profit improved by 8.1% despite a volume decline of 4.7%.

Ocean freight volumes were down slightly (−0.9%) in the first half of 2018, due to the decline in volumes on the trade lanes between Asia and Europe. Ocean freight revenue fell by 2.1%, whilst gross profit declined by 1.2% year-on-year 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 25.6% in the prior year to 29.7%. Gross profit for industrial projects improved by 20.7%.

Global Forwarding: revenue

€m

	H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Air freight	2,256	2,350	4.2	1,130	1,188	5.1
Ocean freight	1,723	1,687	−2.1	881	853	−3.2
Other	1,084	1,106	2.0	549	568	3.5
Total	**5,063**	**5,143**	**1.6**	**2,560**	**2,609**	**1.9**

Global Forwarding: volumes

Thousands

		H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Air freight	tonnes	1,942	1,866	−3.9	990	943	−4.7
of which exports	tonnes	1,090	1,050	−3.7	556	533	−4.1
Ocean freight	TEUs[1]	1,592	1,577	−0.9	824	811	−1.6

[1] Twenty-foot equivalent units.

Revenue growth in European overland transport business

In the Freight business unit, revenue rose by 2.3% to €2,222 million in the first half of 2018 (previous year: €2,171 million) despite negative currency effects of €42 million. The 6.5% volume growth was driven mainly by e-commerce based business in Sweden and less-than-truckload business in Germany. Gross profit for the business unit rose by 1.4% to €561 million (previous year: €553 million) despite the negative currency effects.

Significant earnings improvement achieved

Division EBIT increased significantly in the first half of 2018, rising from €107 million to €175 million. The increase was due mainly to improved gross profit margins in air freight and cost measures. Return on sales rose to 2.4% (previous year: 1.5%). In the second quarter, EBIT improved from €67 million to €105 million, and return on sales was 2.8%.

Operating cash flow amounted to €170 million in the first half of the year (previous year: €–100 million).

SUPPLY CHAIN DIVISION

Key figures of the SUPPLY CHAIN division

€m	H1 2017	H1 2018	+/– %	Q2 2017	Q2 2018	+/– %
Revenue	7,038	6,336	–10.0	3,515	3,212	–8.6
of which EMEA (Europe, Middle East and Africa)	3,532	3,371	–4.6	1,760	1,685	–4.3
Americas	2,334	1,962	–15.9	1,173	1,015	–13.5
Asia Pacific	1,188	1,033	–13.0	591	528	–10.7
Consolidation/Other	–16	–30	–87.5	–9	–16	–77.8
Profit from operating activities (EBIT)	223	183	–17.9	124	128	3.2
Return on sales (%)[1]	3.2	2.9	–	3.5	4.0	–
Operating cash flow	35	133	>100	139	131	–5.8

[1] EBIT/revenue.

Revenue decline due to sale of Williams Lea and currency effects

Revenue in the division fell by 10.0% to €6,336 million in the first half of 2018 (previous year: €7,038 million). The decline was mainly attributable to the sale of the Williams Lea Tag Group in the fourth quarter of 2017. In addition, negative currency effects reduced revenue in the first half of the year by €337 million. Excluding these effects, revenue growth was 3.3%. Second-quarter revenue decreased by 8.6% to €3,212 million (previous year: €3,515 million).

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, H1 2018

Total revenue: €6,336 million

of which Retail	27%
Consumer	23%
Automotive	16%
Technology	12%
Life Sciences & Healthcare	10%
Engineering & Manufacturing	6%
Others	6%
of which Europe/Middle East/Africa/Consolidation	53%
Americas	31%
Asia Pacific	16%

New business worth around €458 million secured

In the first half of 2018, the division concluded additional contracts worth around €458 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 €183 million in the first half of 2018 (previous year: €223 million). The figure was affected by negative one-off effects of €50 million from customer contracts. Excluding these effects, EBIT improved by 4.5% due mainly to business growth and the effects of strategic initiatives. The one-off effects reduced return on sales to 2.9%. EBIT for the second quarter of 2018 was up 3.2% year-on-year to €128 million, and return on sales rose from 3.5% to 4.0%. Operating cash flow improved from €35 million to €133 million in the first half of the year.

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%. Although the IMF raised its forecast for growth in global trade slightly to 4.8%, the risks to that forecast have, however, become more significant. The customs tariff increases recently announced by the US (and those likely to follow) and countermeasures on the part of its trading partners have raised the likelihood that escalating trade conflicts could turn into full-out trade wars. This could put downward pressure on economic growth in the near term.

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: 1.0%; IHS: 1.1%).

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 remain slightly below that of the prior year (IMF: 2.2%; ECB: 2.1%).

Early indicators suggest that the upswing in Germany will continue, albeit at a slower pace. Growth for 2018 as a whole could nonetheless reach a level similar to that of the prior year (IMF: 2.2%; *Sachverständigenrat:* 2.3%).

Revenue and earnings forecast

On 8 June 2018, to counteract the decline in profitability in the Post - eCommerce - Parcel (PeP) division, the Board of Management decided upon a range of measures to safeguard a positive earnings development in 2019 and 2020, in particular. The measures are designed to further improve productivity, indirect costs and yield management in the Post and Parcel business.

The measures will only help in part in 2018; therefore, PeP EBIT for 2018 before one-off expenses is now expected to come in at around €1.1 billion. This includes additional operating expenses for productivity improvements of around €150 million. In addition, a one-off restructuring charge of €0.5 billion will be recognised in 2018 to implement the measures.

Including the effects described, the Board of Management now expects consolidated EBIT of around €3.2 billion in 2018. The PeP division is likely to contribute around €0.6 billion (including the expected restructuring costs) to this figure whilst the DHL divisions are still expected to reach around €3.0 billion.

Starting with the present half-yearly financial statements, the activities of the Corporate Incubations board department established in April will be shown as part of the new line Corporate Functions, together with Corporate Center/Other. The full-year result of Corporate Incubations is expected to be €–70 million in 2018. The result of Corporate Functions as a whole is expected to be €–0.42 billion and will include the unchanged forecast of the Corporate Center/Other result of around €–0.35 billion.

For 2020, we continue to expect consolidated EBIT of more than €5.0 billion due, amongst other things, to the aforementioned measures. The PeP division is expected to contribute around €1.7 billion to this figure whilst the earnings contribution of the DHL division is projected to reach around €3.7 billion in 2020. Management's earnings forecast for Corporate Functions is unchanged at around €–0.35 billion.

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

In addition to the measures decided upon in the PeP division, the debt-financed renewal of the Express intercontinental aircraft fleet will also affect EAC and the reported free cash flow, which will be at least €1.0 billion in 2018, excluding the debt-financed renewal of the Express intercontinental aircraft fleet.

OPPORTUNITIES AND RISKS

As described above, the Group has decided upon a number of measures intended to secure long-term earnings growth in the Post - eCommerce - Parcel division. However, implementing the measures will negatively impact earnings in financial year 2018.

The Group's overall opportunity and risk situation did not otherwise change significantly during the first half of 2018 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 30 June

€m	H1 2017	H1 2018	Q2 2017	Q2 2018
Revenue	29,696	29,775	14,813	15,026
Other operating income	986	1,053	467	570
Total operating income	30,682	30,828	15,280	15,596
Materials expense	−15,970	−15,252	−7,947	−7,751
Staff costs	−10,094	−10,152	−4,991	−5,188
Depreciation, amortisation and impairment losses	−721	−1,576	−374	−807
Other operating expenses	−2,173	−2,197	−1,128	−1,103
Total operating expenses	−28,958	−29,177	−14,440	−14,849
Net income from investments accounted for using the equity method	2	1	1	0
Profit from operating activities (EBIT)	**1,726**	**1,652**	**841**	**747**
Financial income	44	101	23	57
Finance costs	−213	−353	−104	−179
Foreign currency losses	−13	−18	−8	−13
Net finance costs	**−182**	**−270**	**−89**	**−135**
Profit before income taxes	**1,544**	**1,382**	**752**	**612**
Income taxes	−232	−193	−113	−54
Consolidated net profit for the period	**1,312**	**1,189**	**639**	**558**
attributable to Deutsche Post AG shareholders	1,235	1,116	602	516
attributable to non-controlling interests	77	73	37	42
Basic earnings per share (€)	**1.02**	**0.91**	**0.50**	**0.42**
Diluted earnings per share (€)	**1.00**	**0.89**	**0.49**	**0.41**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June

€m	H1 2017	H1 2018	Q2 2017	Q2 2018
Consolidated net profit for the period	**1,312**	**1,189**	**639**	**558**
Items that will not be reclassified to profit or loss				
Change due to remeasurements of net pension provisions	484	−339	577	−10
Reserve for equity instruments without recycling	–	3	–	1
Other changes in retained earnings	0	0	0	0
Income taxes relating to components of other comprehensive income	−6	−24	−35	−1
Share of other comprehensive income of investments accounted for using the equity method, net of tax	0	0	0	0
Total, net of tax	**478**	**−360**	**542**	**−10**
Items that may be reclassified subsequently to profit or loss				
IAS 39 revaluation reserve				
Changes from unrealised gains and losses	3	–	1	–
Changes from realised gains and losses	−1	–	−1	–
IAS 39 hedging reserve				
Changes from unrealised gains and losses	11	−3	87	−5
Changes from realised gains and losses	5	−26	2	−15
Currency translation reserve				
Changes from unrealised gains and losses	−446	58	−464	129
Changes from realised gains and losses	0	0	0	0
Income taxes relating to components of other comprehensive income	−5	7	−27	4
Share of other comprehensive income of investments accounted for using the equity method, net of tax	−5	2	−4	4
Total, net of tax	**−438**	**38**	**−406**	**117**
Other comprehensive income, net of tax	**40**	**−322**	**136**	**107**
Total comprehensive income	**1,352**	**867**	**775**	**665**
attributable to Deutsche Post AG shareholders	1,291	792	754	620
attributable to non-controlling interests	61	75	21	45

BALANCE SHEET

€m	31 Dec. 2017	30 June 2018
ASSETS		
Intangible assets	11,792	11,905
Property, plant and equipment	8,782	18,190
Investment property	21	28
Investments accounted for using the equity method	85	105
Non-current financial assets	733	760
Other non-current assets	231	276
Deferred tax assets	2,272	2,352
Non-current assets	**23,916**	**33,616**
Inventories	327	467
Current financial assets	652	145
Trade receivables	8,218	8,184
Other current assets	2,184	2,695
Income tax assets	236	255
Cash and cash equivalents	3,135	2,011
Assets held for sale	4	19
Current assets	**14,756**	**13,776**
Total ASSETS	**38,672**	**47,392**
EQUITY AND LIABILITIES		
Issued capital	1,224	1,230
Capital reserves	3,327	3,437
Other reserves	−998	−959
Retained earnings	9,084	8,395
Equity attributable to Deutsche Post AG shareholders	12,637	12,103
Non-controlling interests	266	330
Equity	**12,903**	**12,433**
Provisions for pensions and similar obligations	4,450	4,714
Deferred tax liabilities	76	49
Other non-current provisions	1,421	1,504
Non-current provisions	5,947	6,267
Non-current financial liabilities	5,151	12,762
Other non-current liabilities	272	248
Non-current liabilities	5,423	13,010
Non-current provisions and liabilities	**11,370**	**19,277**
Current provisions	1,131	907
Current financial liabilities	899	2,966
Trade payables	7,343	6,584
Other current liabilities	4,402	4,561
Income tax liabilities	624	664
Liabilities associated with assets held for sale	0	0
Current liabilities	13,268	14,775
Current provisions and liabilities	**14,399**	**15,682**
Total EQUITY AND LIABILITIES	**38,672**	**47,392**

CASH FLOW STATEMENT

1 January to 30 June

€m	H1 2017	H1 2018	Q2 2017	Q2 2018
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	1,235	1,116	602	516
Consolidated net profit for the period attributable to non-controlling interests	77	73	37	42
Income taxes	232	193	113	54
Net finance costs	182	270	89	135
Profit from operating activities (EBIT)	**1,726**	**1,652**	**841**	**747**
Depreciation, amortisation and impairment losses	721	1,576	374	807
Net income from disposal of non-current assets	−60	10	−3	2
Non-cash income and expense	15	8	12	−11
Change in provisions	−302	−104	−209	71
Change in other non-current assets and liabilities	−28	−48	−23	0
Dividend received	1	2	1	2
Income taxes paid	−325	−290	−155	−133
Net cash from operating activities before changes in working capital	**1,748**	**2,806**	**838**	**1,485**
Changes in working capital				
Inventories	−76	−140	−68	−77
Receivables and other current assets	−676	−585	4	171
Liabilities and other items	−180	−358	−48	−224
Net cash from operating activities	**816**	**1,723**	**726**	**1,355**
Subsidiaries and other business units	0	0	0	0
Property, plant and equipment and intangible assets	82	45	31	23
Investments accounted for using the equity method and other investments	3	0	3	0
Other non-current financial assets	10	27	3	14
Proceeds from disposal of non-current assets	95	72	37	37
Subsidiaries and other business units	−4	−51	0	−49
Property, plant and equipment and intangible assets	−869	−1,065	−334	−508
Investments accounted for using the equity method and other investments	−23	−29	0	−12
Other non-current financial assets	−8	−3	−3	−3
Cash paid to acquire non-current assets	−904	−1,148	−337	−572
Interest received	25	26	15	14
Current financial assets	165	470	−12	476
Net cash used in investing activities	**−619**	**−580**	**−297**	**−45**
Proceeds from issuance of non-current financial liabilities	15	36	1	20
Repayments of non-current financial liabilities	−771	−845	−760	−430
Change in current financial liabilities	725	250	702	251
Other financing activities	−11	26	15	8
Cash paid for transactions with non-controlling interests	−45	−3	0	−3
Dividend paid to Deutsche Post AG shareholders	−1,270	−1,409	−1,270	−1,409
Dividend paid to non-controlling interest shareholders	−6	−5	−5	−3
Purchase of treasury shares	−148	−44	−1	2
Interest paid	−75	−238	−56	−131
Net cash used in financing activities	**−1,586**	**−2,232**	**−1,374**	**−1,695**
Net change in cash and cash equivalents	**−1,389**	**−1,089**	**−945**	**−385**
Effect of changes in exchange rates on cash and cash equivalents	−65	−35	−74	−7
Changes in cash and cash equivalents associated with assets held for sale	0	0	0	0
Changes in cash and cash equivalents due to changes in consolidated group	0	0	0	0
Cash and cash equivalents at beginning of reporting period	3,107	3,135	2,672	2,403
Cash and cash equivalents at end of reporting period	**1,653**	**2,011**	**1,653**	**2,011**

STATEMENT OF CHANGES IN EQUITY

1 January to 30 June

€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							−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						51	47		**47**
Differences between purchase and issue prices of treasury shares (share-based payment schemes)		5					−5	0		**0**
Convertible bonds	0	1						1		**1**
Share-based payment schemes (issuance)		58						58		**58**
Share-based payment schemes (exercise)	2	−59					57	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		−435	−16	**−451**
Change due to remeasurements of net pension provisions							478	478	0	**478**
Other changes			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**
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							−1,409	−1,409	−7	**−1,416**
Transactions with non-controlling interests				0	0	0	4	4	−4	**0**
Changes in non-controlling interests due to changes in consolidated group								0	2	**2**
Issue/retirement of treasury shares	0	0					0	0	0	**0**
Purchase of treasury shares	−1						−45	−46		**−46**
Differences between purchase and issue prices of treasury shares (share-based payment schemes)		7					−7	0		**0**
Convertible bonds	5	102						107		**107**
Share-based payment schemes (issuance)		65						65		**65**
Share-based payment schemes (exercise)	2	−64					65	3		**3**
								−1,276	**−9**	**−1,285**
Total comprehensive income										
Consolidated net profit for the period							1,116	1,116	73	**1,189**
Currency translation differences						57		57	2	**59**
Change due to remeasurements of net pension provisions							−363	−363	0	**−363**
Other changes				−21	3		0	−18	0	**−18**
								792	**75**	**867**
Balance at 30 June 2018	**1,230**	**3,437**	**–**	**−2**	**14**	**−971**	**8,395**	**12,103**	**330**	**12,433**

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 2018 and have been reviewed.

BASIS OF PREPARATION

1 Basis of accounting

The condensed consolidated interim financial statements as at 30 June 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 income tax expense for the reporting period was deferred on the basis of the tax rate expected to apply to the full financial year. The tax rate expected for 2018 has been reduced compared with the previous quarter, due mainly to the adjusted earnings forecast for the PeP division.

The new mortality tables *Heubeck Richttafeln* 2018 G were published on 20 July 2018, taking updated mortality rates and, for the first time, socio-economic factors into account. When applying the new mortality tables for the first time as at 31 December 2018, Deutsche Post DHL Group expects pension obligations to increase moderately. Any increase would be recognised as an actuarial loss in other comprehensive income.

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.

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**

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.

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 30 June 2018 and the income statement for the first half of the year:

Leases in the balance sheet

€m

	30 June 2018
ASSETS	
Non-current assets	
Right-of-use assets – land and buildings	7,744
Right-of-use assets – aircraft	981
Right-of-use assets – transport equipment	541
Right-of-use assets – technical equipment and machinery	137
Right-of-use assets – IT equipment	2
Right-of-use assets – advance payments	2
Total	**9,407**
EQUITY AND LIABILITIES	
Non-current provisions and liabilities	
Lease liabilities	7,934
Current provisions and liabilities	
Lease liabilities	1,719
Total	**9,653**

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	H1 2018
Other operating income	
Operating lease income	24
Sublease income	15
Materials expense	
Short-term lease expenses	342
Low-value asset lease expenses	21
Variable lease payment expenses	23
Other lease expenses (additional costs)	24
Depreciation and impairment losses	
Depreciation of right-of-use assets	898
Impairment losses on right-of-use assets	1
Net finance costs	
Interest expense on lease liabilities	183
Currency translation gains on lease liabilities	13
Currency translation losses on lease liabilities	27

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

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. 2017	30 June 2018
Number of fully consolidated companies (subsidiaries)		
German	129	130
Foreign	600	608
Number of joint operations		
German	1	1
Foreign	0	0
Number of investments accounted for using the equity method		
German	0	0
Foreign	14	18

In the first quarter of 2018, interests were acquired in Robotic Wares Private Limited, India, and Dunho WeiHeng (Zhuhai) Supply Chain Management Co., Ltd., China. In addition, the interest in Relais Colis SAS, France, an investment accounted for using the equity method, was increased by a further 8.4%.

2.1 Acquisitions

Acquisitions in 2018

Name	Country	Segment	Interest %	Acquisition date
Suppla Cargo S.A.S.	Colombia	Supply Chain	99.99	20 April 2018
Serviceuticos Ltda.	Colombia	Supply Chain	99.99	20 April 2018
Agencia de Aduanas Suppla S.A.S.	Colombia	Supply Chain	100	20 April 2018
Suppla S.A.	Colombia	Supply Chain	99.99	20 April 2018
Insignificant acquisitions				
Delivered on Time (DOT)	United Kingdom	Global Forwarding, Freight	100	6 March 2018
Transportes Alfonso Zamorano S.L.U.	Spain	PeP	100	3 May 2018
Transportes Martí Serra, S.L.U.	Spain	PeP	100	3 May 2018

In the second quarter, Deutsche Post DHL Group acquired Colombian companies Suppla Cargo S.A.S., Serviceuticos Ltda., Agencia de Aduanas Suppla S.A.S. and Suppla S.A. (referred to in the following as the Suppla Group). The companies provide transport, warehousing and packaging services for the Life Sciences & Healthcare, Retail, Consumer and Technology sectors. The acquisition enables DHL Supply Chain to expand its business in Latin America.

Of the total purchase price of €62 million, €12 million is variable and contingent upon the companies' future earnings; note 2.2. A payment of €48 million was made in April 2018.

Suppla Group

€m 20 April 2018	Preliminary fair value
Non-current assets	35
Current assets	32
Cash and cash equivalents	17
ASSETS	**84**
Non-current provisions and liabilities	20
Current provisions and liabilities	31
EQUITY AND LIABILITIES	**51**
Preliminary net assets	**33**
Purchase price	62
Preliminary goodwill	**29**

The preliminary goodwill currently amounts to €29 million. The measurement of the assets acquired and liabilities assumed has not yet been completed due to time restrictions. The final purchase price allocation will be presented at a later date.

Since their consolidation, the companies have contributed €14 million to consolidated revenue and €1 million to consolidated EBIT. If the companies had already been consolidated as at 1 January 2018, they would have provided an additional €27 million in consolidated revenue and an additional €2 million in consolidated EBIT.

Insignificant acquisitions

Entities were acquired in the first half of 2018 which neither individually nor in the aggregate had a material effect on the net assets, financial position and results of operations.

The UK company Delivered on Time Limited (DOT) provides motor sports logistics solutions. Existing Formula 1 and Formula E services will benefit from synergy effects generated by the acquisition.

The two Spanish transport companies acquired by DHL Parcel Iberia will play an important role in the development of the Spanish B2C market.

Insignificant acquisitions in 2018

€m 1 January to 30 June	Fair value[1]
Non-current assets	8
Current assets	6
Cash and cash equivalents	1
ASSETS	**15**
Non-current provisions and liabilities	6
Current provisions and liabilities	5
EQUITY AND LIABILITIES	**11**
Net assets	**4**
Purchase price	22
Goodwill	**18**

[1] Corresponds to the carrying amount.

Since their consolidation, the companies have contributed €2 million to consolidated revenue and €1 million to consolidated EBIT. If the companies had already been consolidated as at 1 January 2018, they would have provided an additional €3 million in consolidated revenue and an additional €1 million in consolidated EBIT.

In the financial year, €73 million was paid for companies acquired in 2018.

2.2 Contingent consideration

Variable purchase prices were agreed for certain acquisitions:

Contingent consideration

Company	Basis	Period for financial years from/to	Results range from/to	Fair value of total obligation at the acquisition date	Remaining payment obligation at 31 December 2017	Remaining payment obligation at 30 June 2018
Mitsafetrans s.r.l.	EBITDA	2016 to 2018	€0 to 19 million	€15 million	€10 million	€10 million
Suppla Group	EBITDA	2018 to 2019	€0 to 12 million	€12 million	–	€12 million

2.3 Disposal and deconsolidation effects

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

3 Significant transactions

In the first quarter of 2018, Deutsche Post AG modified its occupational retirement arrangement in Germany. 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 fully vested entitlements), for whom it had previously not been available. Negative past service costs of €108 million were recognised as a result.

In early June, the Board of Management decided upon measures to secure sustainable earnings growth in the Post - eCommerce - Parcel division. The measures decided upon are designed to further improve productivity, indirect costs and yield management in the Post and Parcel business. Provisions in the amount of €34 million and liabilities in the amount of €17 million had been recognised for the early retirement programme by 30 June 2018.

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		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	H1 2017	H1 2018
PeP[1]	**8,742**	**8,956**
Post	4,732	4,656
eCommerce - Parcel	3,972	4,262
Other	38	38
Express	**7,168**	**7,632**
Global Forwarding, Freight	**6,783**	**6,864**
Global Forwarding	4,962	5,030
Freight	1,821	1,834
Supply Chain	**6,959**	**6,258**
Corporate Functions[1]	**44**	**65**
Total revenue	**29,696**	**29,775**

[1] Prior-period amounts adjusted.

6 Other operating income

€m	H1 2017	H1 2018
Income from work performed and capitalised	74	132
Income from currency translation	83	112
Insurance income	101	109
Income from the reversal of provisions	111	70
Income from the remeasurement of liabilities	40	66
Income from fees and reimbursements	61	61
Reversals of impairment losses on receivables and other assets	48	60
Commission income	59	51
Income from derivatives	34	40
Rental and lease income	48	39
Income from prior-period billings	25	28
Income from the disposal of assets	89	19
Income from loss compensation	14	15
Subsidies	8	10
Recoveries on receivables previously written off	5	8
Income from the derecognition of liabilities	11	7
Miscellaneous	175	226
Total	**986**	**1,053**

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

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	H1 2017	H1 2018
Amortisation of and impairment losses on intangible assets	136	97
Depreciation of and impairment losses on property, plant and equipment acquired	574	580
Depreciation of and impairment losses on finance lease assets	11	–
Depreciation of and impairment losses on right-of-use assets	–	899
Depreciation, amortisation and impairment losses	**721**	**1,576**

8 Other operating expenses

€m	H1 2017	H1 2018
Cost of purchased cleaning and security services	187	201
Expenses for advertising and public relations	188	172
Travel and training costs	163	167
Insurance costs	168	160
Warranty expenses, refunds and compensation payments	156	152
Other business taxes	128	126
Write-downs of current assets	98	123
Currency translation expenses	86	110
Telecommunication costs	112	103
Office supplies	85	88
Entertainment and corporate hospitality expenses	81	88
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	69	75
Customs clearance-related charges	65	63
Consulting costs (including tax advice)	59	60
Contributions and fees	52	52
Voluntary social benefits	44	46
Monetary transaction costs	28	31
Commissions paid	31	29
Losses on disposal of assets	31	28
Legal costs	25	27
Expenses from derivatives	37	18
Audit costs	16	15
Donations	12	12
Expenses from prior-period billings	13	8
Miscellaneous	239	243
Total	**2,173**	**2,197**

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 €0.91 (previous year: €1.02).

Basic earnings per share

		H1 2017	H1 2018
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,235	1,116
Weighted average number of shares outstanding	number	1,208,557,844	1,228,170,191
Basic earnings per share	**€**	**1.02**	**0.91**

Diluted earnings per share in the reporting period were €0.89 (previous year: €1.00).

Diluted earnings per share

		H1 2017	H1 2018
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,235	1,116
Plus interest expense on convertible bonds	€m	1	4
Less income taxes	€m	0[1]	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,236	1,120
Weighted average number of shares outstanding	number	1,208,557,844	1,228,170,191
Potentially dilutive shares	number	30,153,575	28,991,959
Weighted average number of shares for diluted earnings	number	1,238,711,419	1,257,162,150
Diluted earnings per share	**€**	**1.00**	**0.89**

[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 were as follows in the first half of 2018:

Investments

€m	30 June 2017	30 June 2018
Intangible assets (not including goodwill)	82	90
Property, plant and equipment acquired		
Land and buildings	41	58
Technical equipment and machinery	48	54
Transport equipment	51	59
Aircraft	34	39
IT equipment	39	34
Operating and office equipment	32	30
Advance payments and assets under development	355	512
	600	786
Right-of-use assets		
Land and buildings[1]	1	914
Technical equipment and machinery	–	23
Transport equipment	–	91
Aircraft	–	75
IT equipment[1]	2	0
	3	1,103
Total	685	1,979

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

Goodwill changed as follows in the reporting period:

Changes in goodwill

€m	2017	2018
Cost		
Balance at 1 January	12,791	12,239
Additions from business combinations	35	51
Disposals	–97	0
Currency translation differences	–490	64
Balance at 31 December/30 June	**12,239**	**12,354**
Impairment losses		
Balance at 1 January	1,133	1,070
Disposals	–25	0
Currency translation differences	–38	0
Balance at 31 December/30 June	**1,070**	**1,070**
Carrying amount at 31 December/30 June	**11,169**	**11,284**

The additions from business combinations relate mainly to the Suppla Group (€29 million) and the Spanish transport companies (€17 million).

11 Financial assets

€m	Non-current		Current		Total	
	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018	31 Dec. 2017	30 June 2018
Financial assets measured at cost	–	511	–	105	**–**	**616**
Assets at fair value through other comprehensive income	–	50	–	0	**–**	**50**
Assets at fair value through profit or loss	170	199	76	40	**246**	**239**
Available-for-sale financial assets	59	–	500	–	**559**	**–**
Loans and receivables	466	–	69	–	**535**	**–**
Lease receivables	38	–	7	–	**45**	**–**
Total	**733**	**760**	**652**	**145**	**1,385**	**905**

Net impairment losses amounted to €53 million in the first half of 2018 (previous year: €38 million).

12 Assets held for sale and liabilities associated with assets held for sale

This item includes two Chinese companies acquired with a view to resale in the context of a real estate solutions project. The item also includes the 40% interest in AHK Air Hong Kong Limited, China, held for sale in the amount of €4 million; see the 2017 Annual Report, note 31 to the consolidated financial statements.

13 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 30 June 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/30 June	**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	2,156,030
Balance at 31 December/30 June	**–4,513,582**	**–3,642,171**
Total at 31 December/30 June	**1,224,193,963**	**1,230,444,480**

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 and redemption of 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.

Deutsche Post AG exercised its right to call all outstanding convertible bonds 2012/2019. The outstanding bonds with a notional volume of €0.7 million were redeemed on 27 March 2018.

Purchase and issue 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. The shares were issued to the executives concerned in April 2018. In addition, in May 2018, the rights to matching shares under the 2013 tranche were settled, with a further 870,551 shares issued to executives.

As at 30 June 2018, Deutsche Post AG held 3,642,171 treasury shares.

14 Capital reserves

€m	2017	2018
Balance at 1 January	**2,932**	**3,327**
Share Matching Scheme		
Addition	67	52
Exercise	–59	–64
Total for Share Matching Scheme	**8**	**–12**
Performance Share Plan		
Addition	25	13
Total for Performance Share Plan	**25**	**13**
Capital reduction through retirement of treasury shares	**27**	**0**
Difference between purchase and issue prices of treasury shares	**5**	**7**
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/30 June	**3,327**	**3,437**

15 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	30 June 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

16 Segment reporting

Segments by division

€m	PeP[1]		Express		Global Forwarding, Freight		Supply Chain		Corporate Functions[1]		Consolidation[1,2]		Group	
1 January to 30 June	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
External revenue	8,742	8,956	7,168	7,632	6,783	6,864	6,959	6,258	44	65	0	0	**29,696**	**29,775**
Internal revenue	70	66	177	186	375	429	79	78	567	688	−1,268	−1,447	**0**	**0**
Total revenue	8,812	9,022	7,345	7,818	7,158	7,293	7,038	6,336	611	753	−1,268	−1,447	**29,696**	**29,775**
Profit/loss from operating activities (EBIT)	685	499	865	978	107	175	223	183	−154	−182	0	−1	**1,726**	**1,652**
of which net income/loss from investments accounted for using the equity method	0	−1	1	1	0	0	1	1	0	0	0	0	**2**	**1**
Segment assets[3,4]	6,571	7,223	10,203	12,881	7,664	8,563	5,564	8,180	1,732	5,342	−73	−358	**31,661**	**41,831**
of which Investments accounted for using the equity method	27	35	33	34	22	23	3	5	0	8	0	1	**85**	**106**
Segment liabilities[3]	3,034	2,898	3,604	3,369	3,046	3,019	3,037	2,762	1,556	1,436	−57	−59	**14,220**	**13,425**
Net segment assets/liabilities[3,4]	3,537	4,325	6,599	9,512	4,618	5,544	2,527	5,418	176	3,906	−16	−299	**17,441**	**28,406**
Capex (assets acquired)	189	315	262	298	36	45	136	137	53	80	6	1	**682**	**876**
Capex (right-of-use assets)[4,5]	1	48	1	285	1	80	0	379	0	311	0	0	**3**	**1,103**
Total capex[4]	190	363	263	583	37	125	136	516	53	391	6	1	**685**	**1,979**
Depreciation and amortisation[4]	175	214	252	549	34	114	147	395	100	303	0	0	**708**	**1,575**
Impairment losses	0	0	10	0	0	0	3	1	0	0	0	0	**13**	**1**
Total depreciation, amortisation and impairment losses[4]	175	214	262	549	34	114	150	396	100	303	0	0	**721**	**1,576**
Other non-cash income (–) and expenses (+)	38	27	149	152	41	38	111	93	76	49	1	1	**416**	**360**
Employees[6]	179,345	183,927	86,313	92,098	42,646	42,796	149,042	148,613	11,378	11,959	0	0	**468,724**	**479,393**
Q2														
External revenue	4,233	4,378	3,664	3,956	3,425	3,477	3,469	3,182	22	33	0	0	**14,813**	**15,026**
Internal revenue	34	32	86	90	187	225	46	30	294	370	−647	−747	**0**	**0**
Total revenue	4,267	4,410	3,750	4,046	3,612	3,702	3,515	3,212	316	403	−647	−747	**14,813**	**15,026**
Profit/loss from operating activities (EBIT)	260	108	469	517	67	105	124	128	−80	−111	1	0	**841**	**747**
of which net income/loss from investments accounted for using the equity method	0	−1	1	0	0	0	0	1	0	0	0	0	**1**	**0**
Capex (assets acquired)	96	200	130	218	19	25	75	67	30	41	−1	−2	**349**	**549**
Capex (right-of-use assets)[4,5]	1	20	1	165	0	43	0	266	0	140	0	0	**2**	**634**
Total capex[4]	97	220	131	383	19	68	75	333	30	181	−1	−2	**351**	**1,183**
Depreciation and amortisation[4]	88	109	134	282	17	58	72	204	50	153	0	1	**361**	**807**
Impairment losses	0	0	10	0	0	0	3	0	0	0	0	0	**13**	**0**
Total depreciation, amortisation and impairment losses[4]	88	109	144	282	17	58	75	204	50	153	0	1	**374**	**807**
Other non-cash income (–) and expenses (+)	46	103	79	65	23	10	52	47	11	13	0	1	**211**	**239**

[1] Prior-period amounts adjusted.
[2] Including rounding.
[3] As at 31 December 2017 and 30 June 2018.
[4] Not comparable with prior year due to initial application of IFRS 16 in financial year 2018.
[5] Prior-year figure includes investments in finance lease assets.
[6] Average FTEs; prior-period number covers financial year 2017.

Adjustment of prior-period amounts

In the second quarter of 2018, StreetScooter GmbH was transferred from the Post - eCommerce - Parcel segment to the new Corporate Incubations board department within Corporate Functions. The new board department will act as an incubator for mobility solutions, digital platforms and automation. In addition to StreetScooter electric vehicles, other technological innovations were assigned to the new department. The prior-period amounts were adjusted accordingly.

Information about geographical regions

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 January to 30 June	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
External revenue	8,903	9,183	8,915	9,054	5,382	5,186	5,311	5,168	1,185	1,184	**29,696**	**29,775**
Non-current assets[1,2]	5,610	8,966	7,328	9,986	4,076	6,156	3,303	4,538	356	530	**20,673**	**30,176**
Total capex[2]	313	678	121	605	178	379	57	255	16	62	**685**	**1,979**
Q2												
External revenue	4,329	4,485	4,480	4,556	2,707	2,696	2,702	2,687	595	602	**14,813**	**15,026**
Total capex[2]	158	368	68	354	88	231	30	184	7	46	**351**	**1,183**

[1] As at 31 December 2017 and 30 June 2018.
[2] Not comparable with prior year due to initial application of IFRS 16 in financial year 2018.

Reconciliation

€m	H1 2017	H1 2018
Total income of reportable segments[1]	1,880	1,835
Corporate Functions[1]	−154	−182
Reconciliation to Group/Consolidation	0	−1
Profit from operating activities (EBIT)	**1,726**	**1,652**
Net finance costs	−182	−270
Profit before income taxes	**1,544**	**1,382**
Income taxes	−232	−193
Consolidated net profit for the period	**1,312**	**1,189**

[1] Prior-period amounts adjusted.

OTHER DISCLOSURES

17 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 asset leases. A total of €815 million of the net cash used in financing activities relates to repayments of non-current financial liabilities under leases and €183 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.

18 Disclosures on financial instruments

The following table shows the fair values of financial instruments with each class of financial instrument 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.

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. If currency options are used, they are measured using the Black-Scholes option pricing model. All significant inputs used to measure derivatives are observable in the market.

Financial assets and liabilities

€m Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
30 June 2018				
Non-current financial assets	249	511	0	**760**
Current financial assets	2	38	0	**40**
Financial assets	**251**	**549**	**0**	**800**
Non-current financial liabilities	5,016	93	6	**5,115**
Current financial liabilities	516	23	16	**555**
Financial liabilities	**5,532**	**116**	**22**	**5,670**
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.

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 30 June 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	12	0
Disposals	0	–5	0	0	0	0
Currency translation effects	0	0	0	0	0	0
At 31 December/30 June	**0**	**10**	**0**	**0**	**22**	**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).

19 Contingent liabilities and purchase obligations

The Group's contingent liabilities have not changed significantly compared with 31 December 2017. Its purchase obligations relating to investments in non-current assets amount to €1.7 billion (31 December 2017: €254 million). Operating lease obligations have been reported in accordance with the requirements of IFRS 16 since 1 January 2018; notes 1 and 4.

20 Related party disclosures

Jürgen Gerdes resigned his mandate on the Board of Management on 12 June 2018. Thomas Ogilvie has now assumed responsibility for the Corporate Incubations board department in addition to his duties as Board Member for Human Resources and Labour Director for the Group.

Otherwise there were no significant changes in related party disclosures as against 31 December 2017.

21 Events after the reporting date/other disclosures

There were no reportable events after the balance sheet 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, 6 August 2018

Deutsche Post AG
The Board of Management

Dr Frank Appel	Ken Allen
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 30 June 2018, which are part of the half-yearly 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, 6 August 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

ORDERING

External
E-mail: ir@dpdhl.com
dpdhl.com/en/investors

Internal
GeT and DHL Webshop
Mat. no. 675-602-575

Published on 7 August 2018.

The English version of the Interim Report as at 30 June 2018 of Deutsche Post DHL Group constitutes a translation of the original German version. Only the German version is legally binding, insofar as this does not conflict with legal provisions in other countries. Deutsche Post Corporate Language Services et al.

FINANCIAL CALENDAR 2018/2019

6 November 2018
Interim Report as at 30 September 2018

7 March 2019
2018 Annual Report

10 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

Printed on EnviroTop, recycled paper produced from 100% recovered fibre, which is manufactured climate neutrally and is, amongst other things, FSC certified, has Nordic Ecolabel 244 053 and complies with the EU Ecolabel AT/11/002 guidelines.

GOGREEN
Climate neutral printing with Deutsche Post DHL Group

Deutsche Post AG
Headquarters
Investor Relations
53250 Bonn
Germany