

## Deutsche Post DHL earnings stabilize in second quarter – cost cuts cushion impact of economic crisis

- Underlying EBIT at 257 million euros in the second quarter
- Second-quarter revenue declines 17.7 percent to 11.1 billion euros
- Cost reductions totaling 413 million euros achieved in first half of year
- Group expects underlying EBIT of 1.2 billion euros for full year 2009 in unchanged economic environment
- CEO Frank Appel: “We are demonstrating strength in the crisis.”

**Bonn, July 23, 2009:** Deutsche Post DHL, the world’s leading logistics provider, succeeded in cushioning the effects of the global economic crisis through its comprehensive cost-cutting program and stabilized earnings in the second quarter. Before non-recurring effects, all corporate divisions were profitable in the second quarter with DHL and Deutsche Post contributing nearly equal amounts to operating earnings. The Group reported underlying EBIT, or earnings before interest and taxes excluding non-recurring effects, of 257 million euros in the second quarter of 2009, helped by cost-reduction efforts which showed positive effects mainly in the EXPRESS Corporate Division. Compared with last year, earnings fell 37.8 percent as a result of the global economic crisis. Revenue decreased by 17.7 percent to 11.1 billion euros in the second quarter. Reported EBIT on the Group level also decreased from 366 million euros in the previous year to 109 million euros. The Group has based its planning for 2009 on a scenario that does not foresee a significant improvement in global trade in the coming months. Taking that into account, Deutsche Post DHL expects underlying EBIT to reach 1.2 billion euros for the full year 2009.

“Our first-half figures prove that our vigorous cost-cutting efforts are having a tangible impact throughout the Group and we cannot let up now,” said Frank Appel, Chief Executive Officer of Deutsche Post DHL, at the Group’s half-year press conference in Bonn. “We’re successfully navigating through the crisis. What’s crucial is that we have not only taken short-term steps but are also sustainably strengthening both pillars of the

Group – mail and logistics – as part of our Strategy 2015. This is all the more important as we still don't have a clear view of the further economic development. Though economic conditions haven't worsened – with new business bustling and our strong market position in Asia – we are not yet seeing any substantial improvement.”

Overall, the savings generated in the first half of the year by the cost-cutting program IndEx totaled an annualized 413 million euros. Since the start of the program, total annualized savings have amounted to 552 million euros. As a result, the Group is confident that it will reach its goal of saving 1 billion euros in indirect costs already in the second quarter of 2010. The Group's original goal was by the end of 2010.

## **Net income and cash flow in the second quarter**

Net income after minorities dropped to 66 million euros in the second quarter from 231 million euros in the year-earlier period. Earnings per share declined to 6 cents from 19 cents. Earnings were negatively affected by the decline in business as well as a lower follow-up valuation of the put options on Deutsche Postbank AG shares. Free cash flow increased to 839 million euros from 285 million euros. The reasons were lower investments, a reduction in working capital and the sale of Deutsche Bank AG shares.

## **First-half results**

Revenue in the first half of the year declined 15.3 percent to 22.58 billion euros. Reported EBIT declined 85 percent to 136 million euros, while underlying EBIT dropped 40.2 percent to 569 million euros. Net income after minorities amounted to 1.01 billion euros in the first half after 614 million euros a year earlier due to a higher valuation of Postbank put options in the first three months of the year. Earnings per share rose from 51 cents to 84 cents.

## **MAIL Corporate Division**

The MAIL Corporate Division saw a further deterioration of results in the second quarter. Revenue declined 6.7 percent to 3.21 billion euros. Underlying EBIT fell 38 percent to 171

million euros because of significantly higher wages and 15 million euros in bad debt following the insolvency of department store and mail-order company Arcandor.

As part of its Strategy 2015, the MAIL Corporate Division has introduced a comprehensive program to make the business fit for the future. The program aims at reducing costs in a sustainable way and broadening the services portfolio to include products such as the “Letter on the Internet”, which meet customers’ needs in the future. In the first half alone, the MAIL division reduced costs by 180 million euros, with the total EBIT effect expected to amount to around 300 million euros this year.

## **EXPRESS Corporate Division**

The EXPRESS Corporate Division was able to reduce costs faster than planned, with the result that lower volumes were largely offset. With 65 million euros, underlying EBIT in the second quarter almost matched the level of the previous year, when underlying EBIT amounted to 66 million euros. Revenue at the division declined 28.6 percent to 2.51 billion euros.

In terms of cost cutting, further progress was made mainly in the United States. Here, the Group is confident that despite the economic crisis, it will be able to reduce losses on an annual basis to below \$400 million in the fourth quarter of 2009.

## **GLOBAL FORWARDING, FREIGHT Corporate Division**

The GLOBAL FORWARDING, FREIGHT Corporate Division was able to benefit from the economic crisis and win significant new business, particularly in the life science, fashion, industrial project business, high tech and automotive sectors.

Still, an overall declining demand, particularly in the technology and engineering sectors, as well as lower freight rates and fuel surcharges prompted a decline in earnings and revenue in the second quarter. Underlying EBIT amounted to 79 million euros compared with 103 million euros a year earlier. Revenue fell 27 percent to 2.57 billion euros.

## **SUPPLY CHAIN Corporate Division**

In contract logistics, Deutsche Post DHL continued to add contracts with a total volume of around 250 million euros in the second quarter, despite the weak business climate. The contract renewal rate remained around 90 percent. The bankruptcy filing of the department-store and mail-order group Arcandor had a negative impact during the second quarter. As a result, assets were reduced by 13 million euros. In addition, the Arcandor insolvency led to bad debt losses of 12 million euros.

In the second quarter, underlying EBIT in the SUPPLY CHAIN Corporate Division amounted to 16 million euros compared with 64 million euros in the previous year as a result of the unexpected impact of the Arcandor insolvency. Revenue fell by 8.8 percent to 3.06 billion euros.

### **Outlook**

Business development in the second quarter confirms our view, expressed after the first quarter, that in percentage terms volume declines may have seen the bottom. Still, the Group doesn't expect a substantial recovery in world trade in coming months. This scenario includes continued risks to individual customers and industries, be it insolvencies or extended factory closures. In all our divisions cost-cutting initiatives are being executed, which are by now successfully taking hold. Taking these factors into account, Deutsche Post DHL expects to reach full-year underlying Group EBIT of 1.2 billion euros. The positive effects resulting from the Postbank transaction should lead to a return to a positive net income, a significant improvement compared with 2008.

**– Ends –**

**Note to editors:** You will find interviews with CEO Frank Appel and Jürgen Gerdes, the Board of Management member who leads the Mail Corporate Division, at [www.dp-dhl.de](http://www.dp-dhl.de). The press conference at Deutsche Post DHL will be transmitted on the Internet beginning at 10 a.m. The complete interim report for the second quarter will be released on July 31, 2009.

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**Deutsche Post DHL** is the world's leading mail and logistics services group.

The Deutsche Post and DHL corporate brands offer a one-of-a-kind portfolio of logistics (DHL) and communications (Deutsche Post) services. The Group provides its customers with both easy to use standardized products as well as innovative and tailored solutions ranging from dialog marketing to industrial supply chains. Over 500,000 employees in more than 220 countries and territories form a global network focused on service, quality and sustainability. With programs in the areas of climate protection, disaster relief and education, the Group is committed to social responsibility. In 2008, Deutsche Post DHL revenues exceeded € 54 billion.

**The postal service for Germany. The logistics company for the world.**

**Key Group figures for the first half of 2009<sup>1)</sup>**

in € millions	1st half of 2008	1st half of 2009	Change in %
Revenue	26,653	22,575	-15.3
- thereof international revenue	18,406	14,796	-19.6
EBIT (Earnings before interest and tax)	905	136	-85.0
Underlying EBIT	952	569	-40.2
Consolidated net profit after minorities (incl. Postbank)	614	1,010	64.5
Basic earnings per share (incl. Postbank, in euros)	0.51	0.84	64.7
Diluted earnings per share (incl. Postbank, in euros)	0.51	0.84	64.7

**Revenue by division in the first half of 2009**

in € millions	1st half of 2008	Share of total revenue	1st half of 2009	Share of total revenue	Change in %
MAIL	7,089	26.6%	6,695	29.7%	-5.6
EXPRESS	6,880	25.8%	5,002	22.2%	-27.3
GLOBAL FORWARDING, FREIGHT	6,767	25.4%	5,230	23.2%	-22.7
SUPPLY CHAIN	6,702	25.1%	6,206	27.5%	-7.4
Corporate Center / other and consolidation	-785	-2.9%	-558	-2.6%	28.9
Revenue continuing operations	26,653	100%	22,575	100%	-15.3

**Reported EBIT by division in the first half of 2009**

in € millions	1st half of 2008	Share of total earnings	1st half of 2009	Share of total earnings	Change in %
MAIL	821	90.7%	557	N/a	-32.2%
EXPRESS	27	3.0%	-443	N/a	N/a
GLOBAL FORWARDING, FREIGHT	181	20.0%	113	N/a	-37.6%
SUPPLY CHAIN	98	10.8%	50	N/a	-49.0%
Corporate Center / other and consolidation	-222	-24.5%	-141	N/a	36.5%
EBIT continuing operations	905	100%	136	N/a	-85.0%

1) Previous year's figures have been adjusted

**Key Group figures for the second quarter of 2009<sup>1)</sup>**

in € million	2nd quarter of 2008 <sup>2)</sup>	2nd quarter of 2009	Change in %
Revenue	13,444	11,070	-17.7
- thereof international revenue	9,394	7,349	-21.8
EBIT (Earnings before interest and tax)	366	109	-70.2
Underlying EBIT	413	257	-37.8
Consolidated net profit after minorities (incl. Postbank)	231	66	-71.4
Basic earnings per share (incl. Postbank, in euros)	0.19	0.06	-68.4
Diluted earnings per share (incl. Postbank, in euros)	0.19	0.06	-68.4

**Revenue by division in the second quarter of 2009**

in € million	2nd quarter of 2008	Share of total revenue	2nd quarter of 2009	Share of total revenue	Change in %
MAIL	3,440	25.6%	3,209	29.0%	-6.7%
EXPRESS	3,513	26.1%	2,507	22.6%	-28.6%
GLOBAL FORWARDING, FREIGHT	3,517	26.2%	2,570	23.2%	-26.9%
SUPPLY CHAIN	3,355	25.0%	3,061	27.7%	-8.8%
Corporate Center / other and consolidation	-381	-2.9%	-277	-2.5%	27.3%
Revenue continuing operations	13,444	100%	11,070	100%	-17.7%

**Reported EBIT by division in the second quarter of 2009**

in € million	2nd quarter of 2008	Share of total earnings	2nd quarter of 2009	Share of total earnings	Change in %
MAIL	275	75.1%	150	N/a	-45.5%
EXPRESS	19	5.2%	-51	N/a	N/a
GLOBAL FORWARDING, FREIGHT	103	28.1%	68	62.4%	-34.0%
SUPPLY CHAIN	64	17.5%	16	14.7%	-75.0%
Corporate Center / other and consolidation	-95	-25.9%	-74	N/a	22.1%
EBIT continuing operations	366	100%	109	N/a	-70.2%

<sup>1)</sup> Previous year's figures have been adjusted