Deutsche Post DHL Group

Interim Report

as at 31 March 2016

DOUBLE-DIGIT INCREASE IN GROUP EBIT, DRIVEN BY ALL DIVISIONS

PeP EBIT increasing as sustained Parcel growth and stamp price increase offset Post volume decline and investments in international network expansion

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Express EBIT growth driven by continued strong volume development. Continuing FX headwind partly offset by mitigation measures

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Global Forwarding turnaround making further progress

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Supply Chain on track, second and last tranche of King's Cross real estate sale executed

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Cash flow performance showing usual seasonal pattern

2016/20 EBIT guidance confirmed

GOOD START INTO THE YEAR, IN LINE WITH FULL-YEAR TARGETS

Sustained, positive volume and yield development in Parcel and Express

Global Forwarding turnaround agenda and IT renewal roadmap making good progress

Supply Chain with solid first quarter and real estate gain; further restructuring investments

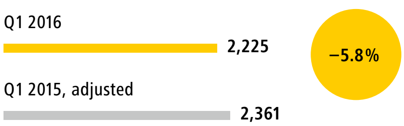
CLEAR AGENDA DRIVEN BY OUR LONG-TERM STRATEGIC AND FINANCIAL GOALS:

- Leveraging growth in e-commerce and emerging markets, based on unrivalled, diversified business portfolio
- Clear roadmap for margin and profit improvement
- Flexible balance sheet and improving cash generation underpin investments and payout policy

SELECTED KEY FIGURES

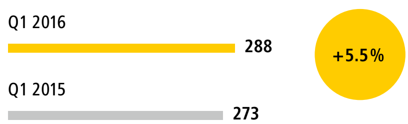
MAIL COMMUNICATION

Mail items (millions)



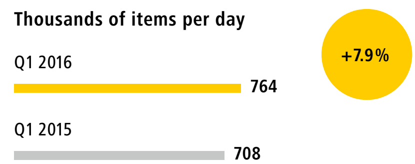
PARCEL GERMANY

Parcels (millions)



TIME DEFINITE INTERNATIONAL (TDI)

Thousands of items per day



REVENUE, Q1 2016

€13,872 million

(Q1 2015: €14,767 million)

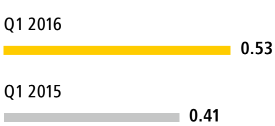
EBIT, Q1 2016

€873 million

Profit from operating activities.
(Q1 2015: €720 million)

EARNINGS PER SHARE

€



Basic earnings per share.

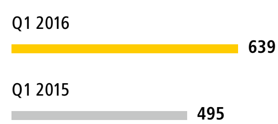
RETURN ON SALES, Q1 2016

6.3%

(Q1 2015: 4.9%)

CONSOLIDATED NET PROFIT FOR THE PERIOD

€m



After deduction of non-controlling interests.

		Q1 2015	Q1 2016	+/– %
Revenue	€m	14,767	13,872	−6.1
Profit from operating activities (EBIT)	€m	720	873	21.3
Return on sales[1]	%	4.9	6.3	–
EBIT after asset charge (EAC)	€m	332	490	47.6
Consolidated net profit for the period[2]	€m	495	639	29.1
Free cash flow	€m	−377	−700	−85.7
Net debt[3]	€m	1,093	1,974	80.6
Earnings per share[4]	€	0.41	0.53	29.3
Number of employees[5]		497,745	494,849	−0.6

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

CONTENTS

GENERAL INFORMATION

Organisation

In the first quarter of 2016, no material changes were made to the Group's organisational structure and no such changes are planned at the moment for the current financial year.

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 grew moderately at the beginning of the year. In the industrial countries, growth was virtually unchanged compared with the previous year; in emerging economies, growth was significantly more dynamic but remained very moderate.

In Asia, growth remained overall robust, however, the Chinese economy weakened further. By contrast, the economy in Japan stabilised.

In the United States, the weak economic period continued whilst the negative impact of foreign trade was unchanged. In addition, private consumption lost momentum. The US Federal Reserve kept its key interest rate at between 0.25% and 0.50%.

In the euro zone, economic recovery accelerated. The inflation rate fell into negative figures following a further decline in the oil price. The European Central Bank reduced its key interest rate to 0.00% and widely expanded its bond-buying programme.

The German economy saw substantial growth. However, sentiment remained sceptical: the German ifo Business Climate Index initially saw a sharp decline only to improve again in March.

Significant events

At the end of January 2016, we sold the remaining shares in UK property development companies King's Cross Central Property Trust and King's Cross Central Partner Ltd.

Pension provisions increased substantially in the first quarter of 2016. This increase is largely due to the decrease in discount rates, which was recognised directly in equity. An offsetting measurement-related reversal resulted from changes in the occupational retirement arrangement in Germany. A number of other human resources measures, including the early retirement scheme for civil servants, mean that, overall, there was no effect on earnings.

Results of operations

Selected indicators for results of operations

		Q1 2015	Q1 2016
Revenue	€m	14,767	13,872
Profit from operating activities (EBIT)	€m	720	873
Return on sales[1]	%	4.9	6.3
EBIT after asset charge (EAC)	€m	332	490
Consolidated net profit for the period[2]	€m	495	639
Earnings per share[3]	€	0.41	0.53

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

Changes in portfolio

In January 2016, we acquired 27.5% of the shares in French logistics provider Relais Colis. The company is accounted for using the equity method.

In the first quarter of 2016, we sold all of our shares in nugg.ad GmbH.

There were no changes in reporting.

Consolidated revenue declines to €13.9 billion

Consolidated revenue in the first quarter of 2016 fell by €895 million to €13,872 million. The change to the way in which revenue and expenses are reported as a result of revised terms of the UK National Health Service (NHS) contract led to a €465 million decrease in revenue. In addition, negative currency effects led to a drop of €402 million. The proportion of revenue generated abroad declined from 69.9% to 67.7%. Other operating income fell from €589 million to €548 million; in particular, the prior-year figure contained higher currency translation gains. The figure for the reporting period included gains on the disposal of the shares in King's Cross in the amount of €63 million.

Materials expense down significantly

The substantial €1,020 million decrease in materials expense to €7,301 million made a significant contribution to the improvement in earnings. The cost of goods purchased and held for resale dropped considerably as a result of the revised NHS contract. Lower transportation and fuel costs as well as currency effects also reduced this item. Furthermore, other operating expenses declined noticeably from €1,082 million to €1,000 million, driven in particular by lower currency translation expenses.

Consolidated EBIT up 21.3%

At €873 million, profit from operating activities (EBIT) in the first quarter of 2016 was up 21.3% on the previous year (€720 million). Net finance costs, on the other hand, widened from €64 million to €93 million, mainly because of a lower foreign currency result. Profit before income taxes rose by €124 million to €780 million. By contrast, income taxes fell slightly, by €6 million to €109 million, as a result of a lower tax rate.

Changes in revenue, other operating income and operating expenses, Q1 2016

	€m	+/– %	
Revenue	13,872	–6.1	• Decrease of €465 million due to revised NHS contract • Currency effects lead to a drop of €402 million
Other operating income	548	–7.0	• Includes gains on the disposal of shares in King's Cross in the amount of €63 million • Higher income from currency translation in prior-year period
Materials expense	7,301	–12.3	• Drop of €459 million in cost of goods purchased and held for resale due to revised NHS contract • Lower transportation and fuel costs • Currency effects lead to a decrease of €181 million
Staff costs	4,921	0.1	• At prior-year level
Depreciation, amortisation and impairment losses	326	2.2	• Up slightly on prior-year level
Other operating expenses	1,000	–7.6	• Lower currency translation expenses

Increase in consolidated net profit for the period

Consolidated net profit for the period rose from €541 million to €671 million in the reporting period. Of this amount, €639 million is attributable to shareholders of Deutsche Post AG and €32 million to non-controlling interest holders. Basic earnings per share improved from €0.41 to €0.53 and diluted earnings per share from €0.39 to €0.51.

Improvement in EBIT after asset charge

In the first quarter of 2016, EBIT after asset charge (EAC) climbed from €332 million to €490 million, mainly as a result of the company's increased profitability. The imputed asset charge remained stable year-on-year, with investments in property, plant and equipment in all divisions being offset by a decline in net working capital.

EBIT after asset charge (EAC)

€m	Q1 2015	Q1 2016	+/– %
EBIT	720	873	21.3
– Asset charge	–388	–383	1.3
= **EAC**	**332**	**490**	**47.6**

Financial position

Selected cash flow indicators

€m	Q1 2015	Q1 2016
Cash and cash equivalents as at 31 March	2,646	2,732
Change in cash and cash equivalents	–427	–793
Net cash from/used in operating activities	79	–212
Net cash used in investing activities	–501	–467
Net cash used in financing activities	–5	–114

Liquidity situation remains solid

The principles and aims of our financial management as presented in the 2015 Annual Report beginning on page 53 remain valid and continue to be pursued as part of our finance strategy.

As expected, the FFO to debt performance metric decreased in the first quarter of 2016 as a result of the increase in financial liabilities. Surplus cash and near-cash investments declined, mainly as a result of the annual pension-related prepayment to the *Bundesanstalt für Post und Telekommunikation* due in the first quarter. Moreover, the adjustment for pensions increased based on higher pension obligations resulting from lower discount rates. In addition, plan assets declined due primarily to currency effects. The amount of interest paid increased, due primarily to the interest income generated from unwinding interest rate swaps related to outstanding bonds in the first quarter of 2015.

Our credit quality as rated by Moody's Investors Service and Fitch Ratings has not changed from the ratings described and projected in the 2015 Annual Report beginning on page 56. In view of our solid liquidity, the five-year syndicated credit facility with a total volume of €2 billion was not drawn down during the reporting period. As at 31 March 2016, the Group had cash and cash equivalents of €2.7 billion.

FFO to debt

€m	1 Jan. to 31 Dec. 2015 adjusted[1]	1 April 2015 to 31 March 2016
Operating cash flow before changes in working capital	2,656	2,772
+ Interest received	47	46
– Interest paid	76	150
+ Adjustment for operating leases	1,413	1,453
+ Adjustment for pensions	239	205
= **Funds from operations (FFO)**	**4,279**	**4,326**
Reported financial liabilities[2]	5,178	5,151
– Financial liabilities at fair value through profit or loss[2]	125	142
+ Adjustment for operating leases[2]	6,394	6,389
+ Adjustment for pensions[2]	6,103	6,674
– Surplus cash and near-cash investments[2,3]	2,641	1,725
= **Debt**	**14,909**	**16,347**
FFO to debt (%)	**28.7**	**26.5**

[1] Non-recurring income or expense is no longer reported separately since it is no longer generated or incurred in a relevant scope.
[2] As at 31 December 2015/31 March 2016.
[3] Reported cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

Capex and depreciation, amortisation and impairment losses, Q1

	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Capex (€m)	64	74	75	191	40	10	73	100	22	37	0	–1	**274**	**411**
Depreciation, amortisation and impairment losses (€m)	76	77	91	104	23	20	73	74	57	51	–1	0	**319**	**326**
Ratio of capex to depreciation, amortisation and impairment losses	0.84	0.96	0.82	1.84	1.74	0.50	1.00	1.35	0.39	0.73	–	–	**0.86**	**1.26**

[1] Including rounding.

Capital expenditure above prior-year level

Investments in property, plant and equipment and intangible assets (not including goodwill) amounted to €411 million in the first quarter of 2016 (previous year: €274 million). Please refer to Notes 8 and 13 to the consolidated financial statements for a breakdown of capex into asset classes and regions.

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

In the Express division, a significant portion of investment spending went towards the continuous maintenance and renewal of our aircraft fleet. We also expanded our hubs, particularly in Leipzig and East Midlands.

In the Global Forwarding, Freight division, we continued to invest in turnaround measures as well as in warehouses and office buildings, technical equipment and machinery.

In the Supply Chain division, around 54% of funds were used to support new business, mostly in the Americas and EMEA regions where we made notable investments in the Consumer and Retail sectors.

Cross-divisional capital expenditure increased due to higher expenses for the vehicle fleet.

Lower operating cash flow

Net cash used in operating activities in the first quarter of 2016 amounted to €212 million, compared with net cash from operating activities of €79 million in the previous year. The gains on the disposal of the shares in King's Cross (€63 million) contained in the EBIT figure have been eliminated in net cash used in operating activities and are instead shown in cash flow from investing activities. The change in provisions widened from €–140 million to €–178 million. Income tax payments amounted to €89 million, down €58 million year-on-year. The cash outflow from changes in working capital rose by €407 million to €1,065 million, due in particular to the reduction in liabilities and other items. At €467 million, net cash used in investing activities was lower than in the previous year (€501 million). The reduction in this figure was primarily the result of the proceeds from the sale of the shares in King's Cross.

Calculation of free cash flow

€m

	Q1 2015	Q1 2016
Net cash from/used in operating activities	**79**	**–212**
Sale of property, plant and equipment and intangible assets	39	33
Acquisition of property, plant and equipment and intangible assets	–565	–577
Cash outflow arising from change in property, plant and equipment and intangible assets	**–526**	**–544**
Disposals of investments accounted for using the equity method and other investments	0	80
Acquisition of investments accounted for using the equity method and other investments	0	–19
Cash inflow arising from acquisitions/ divestitures	**0**	**61**
Interest received	12	11
Interest paid	58	–16
Net interest paid	**70**	**–5**
Free cash flow	**–377**	**–700**

Free cash flow decreased significantly from €–377 million to €–700 million, due primarily to net cash used in operating activities in the amount of €212 million. By contrast, net cash from operating activities of €79 million had been generated in the prior-year period. In addition, positive net interest payments were generated in the prior year, whereas in the reporting period net cash flows from acquisitions and divestitures – which were mainly influenced by the sale of the shares in King's Cross – lifted the figure.

At €114 million, net cash used in financing activities was €109 million higher than in the previous year (€5 million). In the previous year, we unwound interest rate swaps on outstanding bonds which led to a cash inflow.

Changes in the cash flows from the individual areas of activity saw cash and cash equivalents decline from €3,608 million as at 31 December 2015 to €2,732 million.

Net assets

Selected indicators for net assets

		31 Dec. 2015	31 March 2016
Equity ratio	%	29.8	28.7
Net debt	€m	1,093	1,974
Net interest cover[1]		–10.3	174.6
Net gearing	%	8.8	15.7
FFO to debt[2]	%	28.7	26.5

[1] In the first quarter.
[2] For the calculation Financial position, page 3.

Decrease in consolidated total assets

The Group's total assets amounted to €36,962 million as at 31 March 2016, €908 million lower than at 31 December 2015 (€37,870 million).

A decrease in goodwill due to exchange rate movements was the main cause of the decrease in intangible assets, which fell from €12,490 million to €12,221 million. In addition, trade receivables declined by €320 million to €7,374 million. Conversely, other current assets climbed by €680 million to €2,852 million: this includes the accrual of the prepaid annual contribution to the *Bundesanstalt für Post und Telekommunikation* in the amount of €375 million. The €876 million decrease in cash and cash equivalents to €2,732 million was a key reason for the reduction in total assets. For further details, please refer to the Financial position, page 4 f.

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders declined by €725 million to €10,309 million: consolidated net profit for the period increased equity, whilst actuarial losses on pension obligations and negative currency effects were the largest factors leading to the overall decrease. Trade payables fell considerably from €7,069 million to €5,837 million. The actuarial losses are also largely responsible for the €486 million increase in provisions for pensions and similar obligations, which rose to €6,707 million. Other current liabilities rose by €362 million to €4,617 million, due primarily to an increase in liabilities to employees relating to provisions for vacation entitlements, amongst other things.

Net debt increases to €1,974 million

Our net debt rose from €1,093 million on 31 December 2015 to €1,974 million as at 31 March 2016, in part because of the regular annual contribution to the *Bundesanstalt für Post und Telekommunikation* paid in the first quarter (€517 million). At 28.7%, the equity ratio was lower than on 31 December 2015 (29.8%). Net interest cover shows the extent to which net interest obligations are covered by EBIT. It rose from –10.3 to 174.6. Net gearing was 15.7% on 31 March 2016.

Net debt

€m

	31 Dec. 2015	31 March 2016
Non-current financial liabilities	4,578	4,563
+ Current financial liabilities	440	470
= **Financial liabilities**	**5,018**	**5,033**
– Cash and cash equivalents	3,608	2,732
– Current financial assets	179	190
– Positive fair value of non-current financial derivatives[1]	138	137
= **Financial assets**	**3,925**	**3,059**
Net debt	**1,093**	**1,974**

[1] Reported in non-current financial assets in the balance sheet.

Business performance in the divisions

POST - ECOMMERCE - PARCEL DIVISION

€m	Q1 2015	Q1 2016	+/– %
Revenue	4,101	4,201	2.4
of which Post	2,564	2,532	–1.2
eCommerce - Parcel	1,537	1,669	8.6
Profit from operating activities (EBIT)	399	412	3.3
of which Germany	393	410	4.3
International Parcel and eCommerce	6	2	–66.7
Return on sales (%)[1]	9.7	9.8	–
Operating cash flow	185	80	–56.8

[1] EBIT/revenue.

Revenue exceeds prior-year figure

In the first quarter of 2016, revenue in the division was €4,201 million, 2.4% above the prior-year figure of €4,101 million – despite 1.0 fewer working days in Germany. Consistent, strong growth in the eCommerce - Parcel business unit in particular contributed significantly to this increase. Excluding negative currency effects of €11 million, revenue growth was 2.7%.

Decline in revenue and volumes in the Post business unit

In the Post business unit, revenue and volumes in the first quarter of 2016 were below the prior-year level. Revenue declined by 1.2% to €2,532 million (previous year: €2,564 million). Volumes declined by 3.8%.

The price increases for *Standardbrief* and *Maxibrief* letter items and for additional services at the beginning of the year offset the decrease in revenue resulting from the overall decline in Mail Communication volumes which was due, in part, to the loss of one working day. The cross-border mail business continued to perform well, particularly as a result of the increase in small-goods shipments and the price increases for the *Standardbrief* and *Großbrief International* products at the beginning of the year.

Revenue and volumes fell slightly in the Dialogue Marketing business, especially in unaddressed advertising mail.

Post: revenue

€m	Q1 2015 adjusted[1]	Q1 2016	+/– %
Mail Communication	1,724	1,724	0.0
Dialogue Marketing	550	547	–0.5
Other	290	261	–10.0
Total	**2,564**	**2,532**	**–1.2**

[1] Adjusted due to changed product allocations.

Post: volumes

Mail items (millions)	Q1 2015 adjusted[1]	Q1 2016	+/– %
Total	5,076	4,883	–3.8
of which Mail Communication	2,361	2,225	–5.8
of which Dialogue Marketing	2,240	2,193	–2.1

[1] Adjusted due to changed product allocations.

eCommerce - Parcel business unit continues to grow

In the first quarter of 2016, revenue in the business unit was €1,669 million, exceeding the prior-year figure of €1,537 million by 8.6%.

Parcel Germany's revenue increased by 6.9% to €1,135 million (previous year: €1,062 million). Volumes rose by 5.5%, to 288 million parcels.

In the Parcel Europe business revenue grew by 13.9% to €197 million (previous year: €173 million). Expansion of the business is progressing; we entered the French e-commerce market by acquiring an interest in Relais Colis.

In the DHL eCommerce business, revenue was €337 million in the reporting period, exceeding the prior-year figure by 11.6%. Excluding currency effects, growth was 14.6%. The positive trend in the US domestic business continued; the cross-border business in Asia also performed very well.

eCommerce - Parcel: revenue

€m	Q1 2015	Q1 2016	+/– %
Parcel Germany	1,062	1,135	6.9
Parcel Europe[1]	173	197	13.9
DHL eCommerce[2]	302	337	11.6
Total	**1,537**	**1,669**	**8.6**

[1] Excluding Germany.
[2] Outside Europe.

Parcel Germany: volumes

Parcels (millions)	Q1 2015	Q1 2016	+/– %
Total	273	288	5.5

EBIT and return on sales improve

In the first quarter of 2016, EBIT in the division improved by 3.3% to €412 million (previous year: €399 million). This was driven mainly by higher revenues, whilst increased material and labour costs as well as the continued investments in our parcel network prevented a more significant improvement in earnings. The majority of our EBIT is currently being generated in Germany; earnings in our international business reflect the investments in the expansion of the European and worldwide parcel business. Return on sales rose to 9.8% (previous year: 9.7%).

Operating cash flow decreased from €185 million to €80 million, which was attributable mainly to a higher cash outflow from working capital. The annual prepayment to the *Bundesanstalt für Post und Telekommunikation* was made in the first quarter, of which €482 million was attributable to the division.

EXPRESS DIVISION

€m	Q1 2015	Q1 2016	+/– %
Revenue	3,240	3,251	0.3
of which Europe	1,427	1,477	3.5
Americas	590	630	6.8
Asia Pacific	1,177	1,187	0.8
MEA (Middle East and Africa)	254	261	2.8
Consolidation/Other	–208	–304	–46.2
Profit from operating activities (EBIT)	332	357	7.5
Return on sales (%)[1]	10.2	11.0	–
Operating cash flow	334	234	–29.9

[1] EBIT/revenue.

Momentum in international business continues

Revenue in the division increased by 0.3% to €3,251 million in the first quarter of 2016 (previous year: €3,240 million). As a significant portion of our business activities take place outside the euro zone, we recorded currency effects of €–134 million. Excluding these effects, revenue growth was 4.5%. This also reflects the fact that fuel surcharges were lower in all regions as the price of crude oil fell compared with the previous year. Revenue increased by 6.1% excluding the negative effects resulting from both foreign currency losses and lower fuel surcharges.

Revenues per day in the Time Definite International (TDI) product line increased by 4.9% compared with the previous year. The number of shipments sent per day increased by 7.9% in the first three months.

In the Time Definite Domestic (TDD) product line, per-day shipment volumes increased by 11.1% and revenues per day by 10.8% in the reporting period.

EXPRESS: revenue by product

€m per day[1]	Q1 2015 adjusted	Q1 2016	+/– %
Time Definite International (TDI)	38.7	40.6	4.9
Time Definite Domestic (TDD)	3.7	4.1	10.8

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

EXPRESS: volumes by product

Thousands of items per day[1]	Q1 2015 adjusted	Q1 2016	+/– %
Time Definite International (TDI)	708	764	7.9
Time Definite Domestic (TDD)	378	420	11.1

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

Business in the Europe region continues to grow

Revenue in the Europe region increased by 3.5% to €1,477 million in the first quarter 2016 (previous year: €1,427 million). This included negative currency effects of €33 million, which related mainly to the United Kingdom and Turkey. Excluding these effects, revenue growth was 5.8%. In the TDI product line, revenues per day increased by 5.6%. Per-day TDI shipment volumes improved by 9.4%.

Solid performance in the operating business in the Americas region

Revenue in the Americas region increased by 6.8% to €630 million (previous year: €590 million). This included negative currency effects of €46 million, which related mainly to our business activities in Mexico and South America. Excluding these effects, revenue in the region rose by 14.6%. Compared with the prior-year, shipments per day increased by 9.0% in the TDI product line. Revenue growth per day was 9.9%.

Increased volumes in Asia Pacific region

Revenue in the Asia Pacific region increased by 0.8% to €1,187 million in the first quarter (previous year: €1,177 million). This included negative currency effects of €44 million that related primarily to China and India as well as other countries in the region. Excluding these effects, the revenue increase was 4.6%. In TDI, both revenues and volumes per day grew by 2.6% and 7.1%, respectively.

Revenues and volumes in the MEA region continue to rise

Revenue in the MEA region (Middle East and Africa) increased by 2.8% to €261 million in the reporting period (previous year: €254 million). This included negative currency effects of €12 million, which resulted mainly from South Africa as well as other countries in the region. Excluding these effects, revenue growth in this region was 7.5%. Daily TDI revenues rose by 6.3% and per-day volumes by 3.5%.

EBIT and return on sales increase substantially

In the first quarter of 2016, EBIT in the division improved by 7.5% to €357 million (previous year: €332 million). Network improvement, strong international business growth and pricing initiatives all contributed to an expanded operating margin and increased profitability. Return on sales rose from 10.2% to 11.0%. Operating cash flow declined to €234 million in the reporting period (previous year: €334 million) as the improved profitability of our business activities in the first quarter did not offset the higher cash outflow from changes in working capital.

GLOBAL FORWARDING, FREIGHT DIVISION

€m	Q1 2015	Q1 2016	+/– %
Revenue	3,789	3,327	–12.2
of which Global Forwarding	2,791	2,325	–16.7
Freight	1,039	1,044	0.5
Consolidation/Other	–41	–42	–2.4
Profit from operating activities (EBIT)	17	51	>100
Return on sales (%)[1]	0.4	1.5	–
Operating cash flow	–160	–166	–3.8

[1] EBIT/revenue.

Turnaround measures start to take effect

Revenue in the division decreased by 12.2% to €3,327 million in the first quarter of 2016 (previous year: €3,789 million). Excluding negative currency effects of €111 million, revenue was down year-on-year by 9.3%. In the Global Forwarding business unit, revenue in the reporting period declined by 16.7% to €2,325 million (previous year: €2,791 million). Excluding negative currency effects of €106 million, the decline was 12.9%. Gross profit was €580 million, thereby almost achieving the prior-year level (€587 million).

Air and ocean freight revenues down

In the reporting period, revenues in air and ocean freight decreased year-on-year. Compared with the previous year, air freight volumes declined whilst ocean freight volumes increased slightly.

Air freight volumes fell by 10.6% as a result of an overall declining market and measures we implemented in the previous year, which included withdrawing from selected business activities with insufficient margins. We have, however, secured additional new business during the reporting period, which will be implemented as the year progresses and is expected to have a positive impact on volume development. Air freight prices remain under pressure due to large surplus capacities and low fuel costs, which reduced our revenue by 18.4% and gross profit by 4.5% in the first quarter of 2016.

Ocean freight volumes were up by 2.6% in the reporting period, with exports from Asia and the intra-Asia volumes driving most of the growth. This was also supported further by growth in the trans-Pacific market. Freight rates on some of our major routes continued to be volatile. As a result, our ocean freight revenue fell by 13.6% whilst gross profit rose by 19.7%.

The performance of our industrial project business (in the following table, reported as part of Other in the Global Forwarding business unit) was considerably weaker than in the previous year, due in part to the conclusion of projects started in previous years and in part to low oil prices reducing customer demand, particularly in the Oil & Energy sector. The share of revenue related to industrial project business and reported under Other was 20.4% and therefore reduced compared with the previous year (30.8%). Gross profit declined by 34.0% compared with the first quarter of the previous year.

Global Forwarding: revenue

€m	Q1 2015	Q1 2016	+/– %
Air freight	1,290	1,053	–18.4
Ocean freight	940	812	–13.6
Other	561	460	–18.0
Total	**2,791**	**2,325**	**–16.7**

Global Forwarding: volumes

Thousands		Q1 2015	Q1 2016	+/– %
Air freight	tonnes	935	836	–10.6
of which exports	tonnes	522	476	–8.8
Ocean freight	TEUS[1]	704	722	2.6

[1] Twenty-foot equivalent units.

Revenue in European overland transport business slightly above prior-year level

In the Freight business unit, revenue rose slightly by 0.5% to €1,044 million in the first quarter of 2016 (previous year: €1,039 million) despite negative currency effects of €6 million. Transport volumes increased by 3.8%. Growth was driven further by less-than-truckload business in Germany and France as well as e-commerce related business in Sweden. Business restrictions with some members of the CIS region had an adverse impact on performance. Gross profit was €272 million and thereby consistent with the prior-year level (€272 million).

Strategic reorientation improves EBIT significantly

EBIT in the division increased significantly in the reporting period from €17 million to €51 million. The strategic reorientation, which includes turnaround measures and cost controls, is beginning to take effect. This also improved gross profit margins. Return on sales rose to 1.5% (previous year: 0.4%).

Net working capital declined significantly in the reporting period thanks to improved receivables management. This positive development was offset by lower accounts payable. Operating cash flow amounted to €–166 million (previous year: €–160 million).

SUPPLY CHAIN DIVISION

€m	Q1 2015 adjusted	Q1 2016	+/– %
Revenue	3,942	3,393	–13.9
of which EMEA (Europe, Middle East and Africa)	2,396	1,845	–23.0
Americas	1,046	1,049	0.3
Asia Pacific	510	508	–0.4
Consolidation/Other	–10	–9	10.0
Profit from operating activities (EBIT)	53	127	>100
Return on sales (%)[1]	1.3	3.7	–
Operating cash flow	–112	–141	–25.9

[1] EBIT/revenue.

Revenue declined from loss of NHS revenue and currency effects

Revenue in the division decreased by 13.9% to €3,393 million in the first quarter of 2016 (previous year: €3,942 million). This decline was due mainly to the change in revenue recognition in connection with the UK National Health Service (NHS) in the fourth quarter of 2015 as a result of the revised terms of the contract. Furthermore, negative currency effects decreased revenue in the reporting period by €150 million. Excluding these effects, revenue growth was 1.7%. Compared with the previous year, the Automotive sector achieved the highest revenue growth.

In the EMEA region, revenue increased in the Automotive sector. By contrast, revenue in the Life Sciences & Healthcare sector declined, reflecting the change in the NHS revenue reporting in the UK.

In the Americas region, we gained revenue from new business in the United States, driven predominantly by the Consumer sector.

In Asia Pacific, revenue declined primarily from lower volumes in Australia and negative currency effects across the region. This was offset largely by revenue growth from new and additional business, mainly in China, Hong Kong, Indonesia and Vietnam. Revenue increased significantly in China in the Automotive sector and in Hong Kong in the Technology sector. Revenue growth in Indonesia and Vietnam came primarily from the Consumer sector.

SUPPLY CHAIN: revenue by sector and region, Q1 2016

Total revenue: €3,393 million

of which Retail	25%
Consumer	24%
Automotive	14%
Technology	11%
Life Sciences & Healthcare	9%
Others	8%
Engineering & Manufacturing	5%
Financial Services	4%
of which Europe/Middle East/Africa/Consolidation	54%
Americas	31%
Asia Pacific	15%

New business worth around €276 million secured

In the first quarter of 2016, the division concluded additional contracts worth around €276 million in annualised revenue with both new and existing customers. The Retail, Consumer, Automotive and Technology sectors accounted for the majority of the gains. The annualised contract renewal rate remained at a consistently high level.

Strong EBIT growth achieved due particularly to disposal gains

EBIT in the division was €127 million in the first quarter of 2016 (previous year: €53 million). The strong EBIT growth was achieved due, in particular, to gains on the disposal of shares in King's Cross in the UK. Positive effects from the strategic initiatives also contributed to the increase in earnings. Return on sales rose to 3.7% (previous year: 1.3%). Operating cash flow fell to €–141 million (previous year: €–112 million) due to higher net working capital levels.

POST-BALANCE-SHEET DATE EVENTS

On 1 April 2016, the Group placed two senior bonds with a total volume of €1.25 billion with national and international investors. The capital raised will largely be used for the further funding of pension liabilities. The first bond has a term of five years, a volume of €750 million and an annual coupon of 0.375%. The second bond has a volume of €500 million, a term of ten years and an annual coupon of 1.250%.

OPPORTUNITIES AND RISKS

The Group's overall opportunity and risk situation did not change significantly during the first three months of 2016 as compared with the situation described in the @ 2015 Annual Report, beginning on page 83. No new risks were identified that could have a significant impact on the Group's results. Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current forecast period which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future.

EXPECTED DEVELOPMENTS

Future economic parameters

The economic outlook for full-year 2016 as reported in the 2015 Annual Report, beginning on page 94 deteriorated slightly in the first quarter. The International Monetary Fund (IMF) now expects global economic output to grow by 3.2% and global trade by 3.1% in 2016.

In China, gross domestic product (GDP) is projected to grow more slowly than in the previous year (IMF: 6.5%). GDP growth in Japan is likely to remain moderate (IMF: 0.5%; IHS: 0.7%).

In the United States, full-year GDP growth is expected to be slower than in the previous year (IMF: 2.4%; IHS: 2.1%).

In the euro zone, GDP growth in 2016 is projected to be on par with the previous year (IMF: 1.5%; ECB: 1.4%; IHS: 1.6%).

In Germany, early indicators suggest that the strong growth at the start of the year may lose some momentum. Exports are likely to only increase moderately as the positive effects of the weak euro dissipate. Growth for 2016 as a whole is expected to be slightly lower than that of the prior year (IMF: 1.5%; *Sachverständigenrat* 1.5%; IHS: 1.9%).

Revenue and earnings forecast

We are reconfirming the revenue and earnings forecast for full-year 2016 as described in the 2015 Annual Report on page 97.

Expected financial position

We are reconfirming the expected financial position for full-year 2016 as described in the 2015 Annual Report, beginning on page 97.

Change in indicators relevant for internal management

We are similarly reconfirming our forecasts relating to the performance of our other indicators relevant to full-year 2016 performance as described in the 2015 Annual Report on page 98. As in previous years, free cash flow is again expected to more than cover the dividend payment for financial year 2015 scheduled to be made in May 2016, provided the further funding of pension liabilities of around €1 billion is excluded from this measurement.

INCOME STATEMENT

1 January to 31 March

€m	2015	2016
Revenue	14,767	13,872
Other operating income	589	548
Total operating income	15,356	14,420
Materials expense	−8,321	−7,301
Staff costs	−4,914	−4,921
Depreciation, amortisation and impairment losses	−319	−326
Other operating expenses	−1,082	−1,000
Total operating expenses	−14,636	−13,548
Net income from investments accounted for using the equity method	0	1
Profit from operating activities (EBIT)	**720**	**873**
Financial income	26	28
Finance costs	−93	−97
Foreign currency result	3	−24
Net finance costs	**−64**	**−93**
Profit before income taxes	**656**	**780**
Income taxes	−115	−109
Consolidated net profit for the period	**541**	**671**
attributable to Deutsche Post AG shareholders	495	639
attributable to non-controlling interests	46	32
Basic earnings per share (€)	**0.41**	**0.53**
Diluted earnings per share (€)	**0.39**	**0.51**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 March

€m	2015	2016
Consolidated net profit for the period	**541**	**671**
Items that will not be reclassified to profit or loss		
Change due to remeasurements of net pension provisions	−1,526	−977
Other changes in retained earnings	0	0
Income taxes relating to components of other comprehensive income	42	32
Share of other comprehensive income of investments accounted for using the equity method (after tax)	0	0
Total (after tax)	**−1,484**	**−945**
Items that may be subsequently reclassified to profit or loss		
IAS 39 revaluation reserve		
Changes from unrealised gains and losses	33	−7
Changes from realised gains and losses	0	−63
IAS 39 hedging reserve		
Changes from unrealised gains and losses	−165	42
Changes from realised gains and losses	28	8
Currency translation reserve		
Changes from unrealised gains and losses	832	−441
Changes from realised gains and losses	0	0
Income taxes relating to components of other comprehensive income	33	−2
Share of other comprehensive income of investments accounted for using the equity method (after tax)	1	0
Total (after tax)	**762**	**−463**
Other comprehensive income (after tax)	**−722**	**−1,408**
Total comprehensive income	**−181**	**−737**
attributable to Deutsche Post AG shareholders	−255	−759
attributable to non-controlling interests	74	22

BALANCE SHEET

€m	31 Dec. 2015	31 March 2016
ASSETS		
Intangible assets	12,490	12,221
Property, plant and equipment	7,795	7,790
Investment property	25	20
Investments accounted for using the equity method	76	93
Non-current financial assets	1,113	1,037
Other non-current assets	221	135
Deferred tax assets	2,007	2,008
Non-current assets	**23,727**	**23,304**
Inventories	281	303
Current financial assets	179	190
Trade receivables	7,694	7,374
Other current assets	2,172	2,852
Income tax assets	197	194
Cash and cash equivalents	3,608	2,732
Assets held for sale	12	13
Current assets	**14,143**	**13,658**
Total ASSETS	**37,870**	**36,962**
EQUITY AND LIABILITIES		
Issued capital	1,211	1,211
Capital reserves	2,385	2,420
Other reserves	11	−442
Retained earnings	7,427	7,120
Equity attributable to Deutsche Post AG shareholders	11,034	10,309
Non-controlling interests	261	283
Equity	**11,295**	**10,592**
Provisions for pensions and similar obligations	6,221	6,707
Deferred tax liabilities	142	81
Other non-current provisions	1,512	1,483
Non-current provisions	7,875	8,271
Non-current financial liabilities	4,625	4,598
Other non-current liabilities	234	237
Non-current liabilities	4,859	4,835
Non-current provisions and liabilities	**12,734**	**13,106**
Current provisions	1,486	1,720
Current financial liabilities	553	553
Trade payables	7,069	5,837
Other current liabilities	4,255	4,617
Income tax liabilities	476	537
Liabilities associated with assets held for sale	2	0
Current liabilities	12,355	11,544
Current provisions and liabilities	**13,841**	**13,264**
Total EQUITY AND LIABILITIES	**37,870**	**36,962**

CASH FLOW STATEMENT

1 January to 31 March

€m	2015	2016
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	495	639
Consolidated net profit for the period attributable to non-controlling interests	46	32
Income taxes	115	109
Net finance costs	64	93
Profit from operating activities (EBIT)	**720**	**873**
Depreciation, amortisation and impairment losses	319	326
Net income from disposal of non-current assets	−31	−72
Non-cash income and expense	25	7
Change in provisions	−140	−178
Change in other non-current assets and liabilities	−9	−15
Dividend received	0	1
Income taxes paid	−147	−89
Net cash from operating activities before changes in working capital	**737**	**853**
Changes in working capital		
Inventories	10	−29
Receivables and other current assets	−631	−546
Liabilities and other items	−37	−490
Net cash from/used in operating activities	**79**	**−212**
Subsidiaries and other business units	0	0
Property, plant and equipment and intangible assets	39	33
Investments accounted for using the equity method and other investments	0	80
Other non-current financial assets	6	10
Proceeds from disposal of non-current assets	45	123
Subsidiaries and other business units	0	0
Property, plant and equipment and intangible assets	−565	−577
Investments accounted for using the equity method and other investments	0	−19
Other non-current financial assets	−29	−24
Cash paid to acquire non-current assets	−594	−620
Interest received	12	11
Current financial assets	36	19
Net cash used in investing activities	**−501**	**−467**
Proceeds from issuance of non-current financial liabilities	4	10
Repayments of non-current financial liabilities	−9	−11
Change in current financial liabilities	−9	−12
Other financing activities	−27	−60
Purchase of treasury shares	−22	−25
Proceeds from issuing shares or other equity instruments	0	0
Interest paid	58	−16
Net cash used in financing activities	**−5**	**−114**
Net change in cash and cash equivalents	**−427**	**−793**
Effect of changes in exchange rates on cash and cash equivalents	95	−85
Changes in cash and cash equivalents associated with assets held for sale	0	1
Changes in cash and cash equivalents due to changes in consolidated group	0	1
Cash and cash equivalents at beginning of reporting period	2,978	3,608
Cash and cash equivalents at end of reporting period	**2,646**	**2,732**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 March

€m	Issued capital	Capital reserves	Other reserves: IAS 39 revaluation reserve	Other reserves: IAS 39 hedging reserve	Other reserves: Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Balance at 1 January 2015	1,210	2,339	170	–28	–483	6,168	9,376	204	9,580
Capital transactions with owner									
Dividend						0	0	–1	–1
Transactions with non-controlling interests			0	0	0	0	0	0	0
Changes in non-controlling interests due to changes in consolidated group							0	0	0
Issue of shares or other equity instruments	0	0				0	0	0	0
Purchase of treasury shares	–1	0				–21	–22	0	–22
Share-based payment schemes (issuance)	0	28				0	28	0	28
Share-based payment schemes (exercise)	0	0				0	0	0	0
							6	**–1**	**5**
Total comprehensive income									
Consolidated net profit for the period						495	495	46	541
Currency translation differences					804	0	804	29	833
Change due to remeasurements of net pension provisions						–1,483	–1,483	–1	–1,484
Other changes	0	0	25	–96		0	–71	0	–71
							–255	**74**	**–181**
Balance at 31 March 2015	**1,209**	**2,367**	**195**	**–124**	**321**	**5,159**	**9,127**	**277**	**9,404**
Balance at 1 January 2016	1,211	2,385	67	–41	–15	7,427	11,034	261	11,295
Capital transactions with owner									
Dividend						0	0	0	0
Transactions with non-controlling interests			0	0	0	–1	–1	0	–1
Changes in non-controlling interests due to changes in consolidated group							0	0	0
Issue of shares or other equity instruments	0	0				0	0	0	0
Purchase of treasury shares	0	0				0	0	0	0
Share-based payment schemes (issuance)	0	35				0	35	0	35
Share-based payment schemes (exercise)	0	0				0	0	0	0
							34	**0**	**34**
Total comprehensive income									
Consolidated net profit for the period						639	639	32	671
Currency translation differences					–431	0	–431	–10	–441
Change due to remeasurements of net pension provisions						–945	–945	0	–945
Other changes	0	0	–57	35		0	–22	0	–22
							–759	**22**	**–737**
Balance at 31 March 2016	**1,211**	**2,420**	**10**	**–6**	**–446**	**7,120**	**10,309**	**283**	**10,592**

SELECTED EXPLANATORY NOTES

Company information

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. The condensed consolidated interim financial statements of Deutsche Post AG and its subsidiaries cover the period from 1 January to 31 March 2016 and have been reviewed.

BASIS OF PREPARATION

1 Basis of accounting

The accompanying condensed consolidated interim financial statements as at 31 March 2016 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations issued by the International Accounting Standards Board (IASB) for interim financial reporting, as adopted by the European Union. These interim financial statements thus include all information and disclosures required by IFRSs to be presented in condensed interim financial statements.

Preparation of the condensed consolidated interim financial statements for interim financial reporting in accordance with IAS 34 requires the Board of Management to exercise judgement and make estimates and assumptions that affect the application of accounting policies in the Group and the presentation of assets, liabilities, income and expenses. Actual amounts may differ from these estimates. The results obtained thus far in financial year 2016 are not necessarily an indication of how business will develop in the future.

The accounting policies applied to the condensed consolidated interim financial statements are generally based on the same accounting policies used in the consolidated financial statements for financial year 2015.

The income tax expense for the reporting period was deferred on the basis of the tax rate expected to apply to the full financial year.

For further information on the accounting policies applied, please refer to the consolidated financial statements for the year ended 31 December 2015, on which these interim financial statements are based.

Newly applicable accounting standards

Departures from the accounting policies applied in financial year 2015 consist of the new or amended international accounting pronouncements under IFRSs required to be applied for the first time since financial year 2016.

Standard	Subject matter and significance
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions	The amendments apply to the recognition of employee contributions to defined benefit retirement plans. Their objective is to simplify accounting for employee contributions that are independent of the number of years of service. In such cases, the service cost in the period in which the corresponding service is rendered may be reduced. The new requirements must be applied retrospectively. Application did not lead to any significant effects.
Annual Improvements to IFRSs (2010–2012 Cycle)	The annual improvement process refers to the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 37, IAS 38 and IAS 39. The amendments do not have a significant influence on the consolidated financial statements.
Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	The amendments expand the existing requirements relating to the permitted depreciation and amortisation methods for intangible assets and for property, plant and equipment. The amendments specify that revenue-based depreciation and amortisation methods are not permitted for property, plant and equipment and may only be used for intangible assets in certain exceptional circumstances. In addition, the amendments clarify that a reduction in the selling price of goods and services could signal obsolescence, which could in turn reflect a reduction in the economic benefits available from the asset. The requirements must be applied prospectively. The effects of this interpretation on the consolidated financial statements are immaterial.
Amendments to IFRS 11, Joint Arrangements – Acquisition of Interests in Joint Operations	The amendment clarifies that the acquisition and additional acquisition of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3, Business Combinations, must be recognised in accordance with the principles governing business combinations accounting in IFRS 3 and other relevant IFRSs, with the exception of those principles that conflict with the requirements of IFRS 11. The amendments do not apply if the reporting entity and the other parties involved are under the common control of the same ultimate controlling party. The new requirements must be applied prospectively. The amendment has no significant effect on the Group.
Annual Improvements to IFRSs (2012–2014 Cycle)	The annual improvement process refers to the following standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments do not have a significant influence on the consolidated financial statements.
Amendments to IAS 1, Presentation of Financial Statements: Disclosure Initiative	The changes comprise clarifications relating to the materiality of the items presented in all components of IFRS financial statements. Information that is not material need not be presented. This applies even if disclosure is explicitly required in other standards. In addition, the revised version of IAS 1 includes new rules or clarifications of existing requirements concerning the presentation of subtotals, the structure of the notes and the disclosures on accounting policies. The presentation of the interest in equity-accounted investments in other comprehensive income is also clarified. The amendments do not have a significant effect on the financial statements.

The following are not relevant for the consolidated financial statements:
amendments to IAS 27, Equity Method in Separate Financial Statements.

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. 2015	31 March 2016
Number of fully consolidated companies (subsidiaries)		
German	139	139
Foreign	658	659
Number of joint operations		
German	1	1
Foreign	1	1
Number of investments accounted for using the equity method		
German	1	1
Foreign	15	14

In January 2016, Deutsche Post DHL Group acquired a minority interest of 27.5% in French e-commerce logistics specialist Relais Colis. Relais Colis is accounted for in the consolidated financial statements using the equity method. Two companies accounted for using the equity method have been liquidated.

2.1 Acquisitions

No acquisitions were made in the first quarter of 2016.

2.2 Disposal and deconsolidation effects

Disposal and deconsolidation effects in the first quarter of 2016 were as follows:

Disposal and deconsolidation effects, 2016

€m 1 January to 31 March	nugg.ad GmbH
Non-current assets	0
Current assets	2
Cash and cash equivalents	3
ASSETS	**5**
Non-current provisions and liabilities	0
Current provisions and liabilities	2
EQUITY AND LIABILITIES	**2**
Net assets	**3**
Total consideration received	3
Gains/losses from the currency translation reserve	0
Non-controlling interests	0
Deconsolidation gain (+)/loss (–)	**0**

Post - eCommerce - Parcel Segment

In January 2016, Deutsche Post DHL Group sold all of its shares in e-commerce company nugg.ad GmbH, Germany, to Zalando Media Solutions GmbH. The assets and liabilities had previously been reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement prior to reclassification did not indicate any impairment.

3 Significant transactions

In the first quarter of 2016, the remaining shares in the property development companies King's Cross Central Property Trust and King's Cross Central General Partner Ltd. (King's Cross companies), UK, were sold. The gains on the disposal of the shares are reported in other operating income, Note 4.

Pension provisions increased substantially in the first quarter of 2016. This increase is due largely to the decrease in discount rates, which was recognised directly in equity. An offsetting measurement-related reversal resulted from changes in the occupational retirement arrangement in Germany. A number of other human resources measures (early retirement scheme for civil servants, etc.) mean that, overall, there is no effect on earnings.

INCOME STATEMENT DISCLOSURES

4 Other operating income

€m	Q1 2015	Q1 2016
Gains on disposal of non-current assets	37	78
Income from the reversal of provisions	82	66
Income from currency translation	118	57
Insurance income	44	49
Reversals of impairment losses on receivables and other assets	19	31
Income from fees and reimbursements	34	29
Rental and lease income	27	26
Commission income	24	26
Income from work performed and capitalised	29	16
Income from derivatives	11	12
Income from the remeasurement of liabilities	6	12
Income from prior-period billings	10	9
Income from loss compensation	7	6
Income from the derecognition of liabilities	5	4
Recoveries on receivables previously written off	2	3
Subsidies	1	1
Miscellaneous	133	123
Total	**589**	**548**

Of the gains on the disposal of non-current assets, €63 million relates to the sale of the shares in the King's Cross companies in the UK.

The decrease in currency translation gains is due largely to the change in the exchange rate for the euro.

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

5 Depreciation, amortisation and impairment losses

€2 million of the total depreciation, amortisation and impairment losses of €326 million relates to impairment losses on property, plant and equipment in the Supply Chain segment. In the prior-year period, the depreciation, amortisation and impairment losses item did not include any impairment losses.

6 Other operating expenses

€m	Q1 2015	Q1 2016
Cost of purchased cleaning and security services	89	88
Insurance costs	78	86
Expenses for advertising and public relations	78	75
Travel and training costs	78	71
Warranty expenses, refunds and compensation payments	65	71
Other business taxes	61	61
Currency translation expenses	109	57
Telecommunication costs	59	57
Write-downs of current assets	47	46
Office supplies	46	38
Consulting costs (including tax advice)	44	32
Entertainment and corporate hospitality expenses	32	30
Services provided by *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	27	26
Customs clearance-related charges	25	25
Contributions and fees	24	25
Voluntary social benefits	21	18
Legal costs	12	17
Commissions paid	15	16
Expenses from derivatives	36	15
Monetary transaction costs	11	11
Audit costs	8	8
Donations	7	7
Losses on disposal of assets	5	5
Prior-period other operating expenses	6	4
Miscellaneous	99	111
Total	**1,082**	**1,000**

The decrease in currency translation expenses is due primarily to the change in the exchange rate for the euro.

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

7 Earnings per share

Basic earnings per share in the reporting period were €0.53 (previous year: €0.41).

Basic earnings per share

		Q1 2015	Q1 2016
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	495	639
Weighted average number of shares outstanding	number	1,209,422,789	1,211,185,094
Basic earnings per share	**€**	**0.41**	**0.53**

Diluted earnings per share in the reporting period were €0.51 (previous year: €0.39).

Diluted earnings per share

		Q1 2015	Q1 2016
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	495	639
Plus interest expense on convertible bond	€m	1	1
Less income taxes	€m	0[1]	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	496	640
Weighted average number of shares outstanding	number	1,209,422,789	1,211,185,094
Potentially dilutive shares	number	54,767,318	52,154,921
Weighted average number of shares for diluted earnings	number	1,264,190,107	1,263,340,015
Diluted earnings per share	**€**	**0.39**	**0.51**

[1] Rounded below €1 million.

BALANCE SHEET DISCLOSURES

8 Intangible assets and property, plant and equipment

Investments in intangible assets (not including goodwill) and property, plant and equipment amounted to €411 million in the first quarter of 2016 (previous year: €274 million).

Investments

€m	31 March 2015	31 March 2016
Intangible assets (not including goodwill)	**54**	**33**
Property, plant and equipment		
Land and buildings (incl. leasehold improvements)	11	17
Technical equipment and machinery	12	18
Transport equipment	10	32
Aircraft	14	19
IT equipment	21	14
Operating and office equipment	13	21
Advance payments and assets under development	139	257
	220	**378**
Total	**274**	**411**

Goodwill changed as follows in the reporting period:

Change in goodwill

€m	2015	2016
Cost		
Balance at 1 January	12,247	12,704
Disposals	–4	0
Currency translation differences	461	–251
Balance at 31 December/31 March	**12,704**	**12,453**
Depreciation, amortisation and impairment losses		
Balance at 1 January	1,138	1,159
Disposals	–1	0
Currency translation differences	22	–22
Balance at 31 December/31 March	**1,159**	**1,137**
Carrying amount at 31 December/31 March	**11,545**	**11,316**

The change in goodwill in the first quarter of 2016 is due solely to currency translation differences.

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

The amounts reported under this balance sheet item relate mainly to the following:

€m	Assets		Liabilities	
	31 Dec. 2015	31 March 2016	31 Dec. 2015	31 March 2016
Exel Inc., USA – real estate (Supply Chain segment)	6	6	0	0
DHL Supply Chain Ltd., United Kingdom – technical equipment (Supply Chain segment)	0	4	0	0
Güll GmbH, Germany, and Presse-Service Güll GmbH, Switzerland – equity interests (PeP segment)	3	3	0	0
nugg.ad GmbH, Germany – equity interest (PeP segment)	3	0	2	0
Other	0	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**12**	**13**	**2**	**0**

Exel Inc.

The company plans to sell properties. The most recent measurement prior to reclassification, which was made in 2015, did not lead to any impairment loss being recognised.

DHL Supply Chain

The company intends to sell an automated co-packing production plant and operating facility. The most recent measurement prior to reclassification did not lead to any impairment loss being recognised.

Güll Group

The Group plans to sell Güll GmbH, Germany, and Presse-Service Güll GmbH, Switzerland, which are both accounted for using the equity method. The Group holds 51% of the shares of each of these joint ventures. The investments were reclassified in 2015 as assets held for sale in the amount of €3 million. The most recent measurement prior to reclassification led to an impairment loss of €2 million.

nugg.ad GmbH

The sale of nugg.ad GmbH, Germany, the e-commerce company, was completed in Q1 2016, Note 2.

Other

The aircraft sales planned by DHL Aviation (Netherlands) B.V., the Netherlands, European Air Transport Leipzig GmbH, Germany, and DHL International GmbH, Germany, are reported under Other. As part of early fleet renewal activities, the number of legacy aircraft is to be reduced. Prior to reclassification in financial year 2015, an impairment loss of €12 million was recognised on the reclassified aircraft.

10 Issued capital and purchase of treasury shares

KfW Bankengruppe (KfW) held a 21% interest in the share capital of Deutsche Post AG as at 31 March 2016. The remaining 79% of the shares are in free float.

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

Changes in issued capital and treasury shares

€

	2015	2016
Issued capital		
Balance at 1 January	1,211,180,262	1,212,753,687
Addition due to capital increase	1,568,593	0
Addition due to contingent capital increase (convertible bond)	4,832	0
Balance at 31 December/31 March	**1,212,753,687**	**1,212,753,687**
Treasury shares		
Balance at 1 January	–1,507,473	–1,568,593
Treasury shares acquired	–2,628,575	0
Treasury shares sold	14,992	0
Treasury shares issued	2,552,463	0
Balance at 31 December/31 March	**–1,568,593**	**–1,568,593**
Total at 31 December/31 March	**1,211,185,094**	**1,211,185,094**

The issued capital recorded in the commercial register is composed of 1,212,753,687 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1.00 per share, and is fully paid up.

Deutsche Post AG held 1,568,593 treasury shares as at 31 March 2016.

11 Capital reserves

An amount of €35 million was added to the capital reserves in the period up to 31 March 2016 for share-based payment systems.

Capital reserves

€m

	2015	2016
Capital reserves at 1 January	2,339	2,385
Share Matching Scheme		
Addition	47	31
Exercise	–48	0
Total for Share Matching Scheme	**–1**	**31**
Performance Share Plan		
Addition	10	4
Total for Performance Share Plan	**10**	**4**
Capital increases	37	0
Capital reserves at 31 December/31 March	**2,385**	**2,420**

In April 2016, the rights to matching shares under the 2011 tranche will be settled and rights to incentive and investment shares under the 2015 tranche granted.

12 Retained earnings

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

Retained earnings

€m

	2015	2016
Retained earnings at 1 January	6,168	7,427
Dividend payment	–1,030	0
Consolidated net profit for the period	1,540	639
Change due to remeasurements of net pension provisions	773	–945
Transactions with non-controlling interests	–3	–1
Miscellaneous other changes	–21	0
Retained earnings at 31 December/31 March	**7,427**	**7,120**

SEGMENT REPORTING

13 Segment reporting

Segments by division

€m	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
1 Jan. to 31 March	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
External revenue	4,066	4,173	3,146	3,158	3,615	3,152	3,919	3,367	21	22	0	0	**14,767**	**13,872**
Internal revenue	35	28	94	93	174	175	23	26	291	284	−617	−606	**0**	**0**
Total revenue	4,101	4,201	3,240	3,251	3,789	3,327	3,942	3,393	312	306	−617	−606	**14,767**	**13,872**
Profit/loss from operating activities (EBIT)	399	412	332	357	17	51	53	127	−81	−72	0	−2	**720**	**873**
of which net income from investments accounted for using the equity method	0	0	0	0	0	0	0	1	0	0	0	0	**0**	**1**
Segment assets[2,3]	5,532	5,878	9,337	9,289	7,998	7,821	6,418	6,293	1,571	1,705	−83	−84	**30,773**	**30,902**
of which investments accounted for using the equity method	1	20	46	46	25	24	3	3	0	0	1	0	**76**	**93**
Segment liabilities[2,3]	2,697	2,716	3,508	3,129	3,141	2,851	3,372	3,076	1,496	1,478	−59	−60	**14,155**	**13,190**
Segment assets/ liabilities, net	2,835	3,162	5,829	6,160	4,857	4,970	3,046	3,217	75	227	−24	−24	**16,618**	**17,712**
Capex	64	74	75	191	40	10	73	100	22	37	0	−1	**274**	**411**
Depreciation and amortisation	76	77	91	104	23	20	73	72	57	51	−1	0	**319**	**324**
Impairment losses	0	0	0	0	0	0	0	2	0	0	0	0	**0**	**2**
Total depreciation, amortisation and impairment losses	76	77	91	104	23	20	73	74	57	51	−1	0	**319**	**326**
Other non-cash income and expenses[2]	28	42	75	48	39	15	91	84	39	15	1	0	**273**	**204**
Employees[4]	169,430	168,893	79,318	82,685	44,588	43,150	145,827	145,593	10,747	10,816	0	0	**449,910**	**451,137**

[1] Including rounding.
[2] Prior-period amounts adjusted.
[3] As at 31 December 2015 and 31 March 2016.
[4] Average FTEs; prior-period amount corresponds to that of financial year 2015.

Information about geographical areas

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 March	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
External revenue	4,447	4,480	4,710	4,134	2,537	2,398	2,473	2,304	600	556	**14,767**	**13,872**
Non-current assets[1]	5,298	5,306	7,264	6,972	3,876	3,971	3,553	3,475	390	377	**20,381**	**20,101**
Capex	129	164	45	123	61	82	31	36	8	6	**274**	**411**

[1] As at 31 December 2015 and 31 March 2016.

Adjustment of prior-period amounts
Segment reporting has been adapted in line with internal reporting. The prior-period amounts have been adjusted accordingly.

Segment reporting disclosures
Deutsche Post DHL Group reports four operating segments; these are managed independently by the responsible segment management bodies in line with the products and services offered and the brands, distribution channels and customer profiles involved. Components of the entity are defined as a segment on the basis of the existence of segment managers with bottom-line responsibility who report directly to Deutsche Post DHL Group's top management.

As part of the central management of currency risk, Corporate Treasury is responsible for deciding on the central absorption of fluctuations between projected and actual exchange rates on the basis of division-specific agreements.

The Consolidation and Corporate Center/Other columns are reported separately. Corporate Center/Other comprises the activities of Global Business Services (GBS), the Corporate Center, non-operating activities and other business activities. The profit/loss generated by GBS is allocated to the operating segments, whilst its assets and liabilities remain with GBS (asymmetrical allocation).

The profitability of the Group's operating divisions is measured using profit from operating activities (EBIT).

The main geographical areas in which the Group is active are Germany, Europe (excluding Germany), the Americas, Asia Pacific and Other regions. External revenue, non-current assets and capital expenditure (capex) are disclosed for these regions.

Revenue, assets and capex are allocated to the individual regions on the basis of the domicile of the reporting entity. Non-current assets primarily comprise intangible assets, property, plant and equipment and other non-current assets.

Reconciliation

€m	Q1 2015	Q1 2016
Total income of reportable segments	801	947
Corporate Center/Other	−81	−72
Reconciliation to Group/Consolidation	0	−2
Profit from operating activities (EBIT)	**720**	**873**
Net finance costs	**−64**	**−93**
Profit before income taxes	**656**	**780**
Income taxes	−115	−109
Consolidated net profit for the period	**541**	**671**

OTHER DISCLOSURES

14 Disclosures on financial instruments

The following table presents financial instruments recognised at fair value and financial instruments whose fair value is required to be disclosed, both presented by the level in the fair value hierarchy to which they are assigned.

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

Financial assets and liabilities

€m Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
31 March 2016				
Financial assets				
Non-current financial assets	19	1,008	0	**1,027**
Current financial assets	0	78	0	**78**
Total	**19**	**1,086**	**0**	**1,105**
Financial liabilities				
Non-current liabilities	4,908	295	0	**5,203**
Current liabilities	0	136	0	**136**
Total	**4,908**	**431**	**0**	**5,339**
31 December 2015				
Financial assets				
Non-current financial assets	153	866	83	**1,102**
Current financial assets	27	42	0	**69**
Total	**180**	**908**	**83**	**1,171**
Financial liabilities				
Non-current liabilities	4,232	338	0	**4,570**
Current liabilities	0	107	0	**107**
Total	**4,232**	**445**	**0**	**4,677**

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

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

In addition to financial assets and financial liabilities measured at amortised cost, commodity, interest rate and currency derivatives are reported under Level 2. The fair values of the derivatives are measured on the basis of discounted expected future cash flows, taking into account forward rates for currencies, interest rates and commodities (market approach). For this purpose, price quotations observable on the market (exchange rates, interest rates and commodity prices) are imported from information platforms customary in the market into the treasury management system. The price quotations reflect actual transactions involving similar instruments on an active market. Any currency options used are measured using the Black-Scholes option pricing model. All significant inputs used to measure derivatives are observable on the market.

Level 3 mainly comprises the fair values of equity investments and derivatives associated with M&A transactions. These options are measured using recognised valuation models, taking plausible assumptions into account. 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 effect on net gains and losses of the financial instruments categorised within Level 3 as at 31 March 2016:

Unobservable inputs (Level 3)

€m	2015			2016		
	Assets		Liabilities	Assets		Liabilities
	Equity instruments	Debt instruments	Derivatives, of which equity derivatives	Equity instruments	Debt instruments	Derivatives, of which equity derivatives
Balance at 1 January	132	0	1	83	0	0
Gains and losses (recognised in profit and loss)[1]	0	0	–1	0	0	0
Gains and losses (recognised in OCI)[2]	38	0	0	0	0	0
Additions	0	0	0	0	0	0
Disposals	–95	0	0	–80	0	0
Currency translation effects	8	0	0	–3	0	0
Balance at 31 December/31 March	**83**	**0**	**0**	**0**	**0**	**0**

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

Available-for-sale financial assets include shares in partnerships and corporations in the amount of €10 million (31 December 2015: €11 million). No active market exists for these instruments. As future cash flows cannot be reliably determined, fair value cannot be determined using valuation techniques. There are no plans to sell or derecognise significant shares of the available-for-sale financial assets reported as at 31 March 2016 in the near future. As in the previous year, no significant shares in partnerships and corporations that are measured at cost have been sold in the current financial year.

15 Contingent liabilities and other financial obligations

The Group's contingent liabilities and other financial obligations have not changed significantly compared with 31 December 2015.

16 Related party disclosures

There were no significant changes in related party disclosures as against 31 December 2015.

17 Events after the reporting date/other disclosures

On 1 March 2016, the Board of Management of Deutsche Post AG resolved a share buyback programme for up to 60 million shares of Deutsche Post AG at a total purchase price (not including transaction costs) of up to €1 billion. The purchased shares will either be retired, used to service long-term executive remuneration plans or used to meet potential obligations if rights accruing under the 2012/2019 convertible bond are exercised. The buyback began on 1 April 2016 and will last for a maximum of one year. The buyback programme is based on the authorisation resolved by the company's Annual General Meeting on 27 May 2014.

The Group also placed two senior bonds with a total volume of €1.25 billion with national and international investors. The date of issue was 1 April 2016. The capital raised will largely be used for the further funding of pension liabilities. The first bond has a term of five years, a volume of €750 million and an annual coupon of 0.375%. The second bond has a volume of €500 million, a term of ten years and an annual coupon of 1.250%.

There were no other significant events after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group in accordance with German accepted accounting principles, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Bonn, 10 May 2016

Deutsche Post AG
The Board of Management

Dr Frank Appel | Ken Allen

Jürgen Gerdes | John Gilbert

Melanie Kreis | Lawrence Rosen

REVIEW REPORT

To Deutsche Post AG

We have reviewed the condensed consolidated interim financial statements – comprising the income statement and statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes – and the interim group management report of Deutsche Post AG, Bonn, for the period from 1 January to 31 March 2016, which are part of the quarterly financial report pursuant to section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRSs applicable to interim financial reporting, as adopted by the EU, and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the company's Board of Management. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (IDW – Institute of Public Auditors in Germany) and additionally observed the International Standard on Review Engagements "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE 2410). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting, as adopted by the EU, and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRSs applicable to interim financial reporting, as adopted by the EU, nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Düsseldorf, 10 May 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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FURTHER INFORMATION

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FINANCIAL CALENDAR

2016

18 MAY 2016
2016 Annual General Meeting
(Frankfurt am Main)

19 MAY 2016
Dividend payment

3 AUGUST 2016
Interim Report as at 30 June 2016

8 NOVEMBER 2016
Interim Report as at 30 September 2016

2017

8 MARCH 2017
2016 Annual Report

28 APRIL 2017
2017 Annual General Meeting
(Bochum)

2 MAY 2017
Dividend payment

11 MAY 2017
Interim Report as at 31 March 2017

8 AUGUST 2017
Interim Report as at 30 June 2017

8 NOVEMBER 2017
Interim Report as at 30 September 2017

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

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