Interim Report
as at 31 March 2017

STRONG CASH FLOW PERFORMANCE ON STEADY EBIT DEVELOPMENT

Continued growth in parcel and Express volumes; Forwarding markets continue to recover

Topline growth accelerating as organic growth gains pace whilst foreign exchange and fuel headwinds weaken

PeP EBIT only slightly up as working day effect partly offset by unusually slow start into the year

Strong EBIT performance at Express and Supply Chain

Global Forwarding, Freight EBIT down despite continued productivity improvements – industry growth encouraging although short-term burden

Strong cash flow development supported by earnings performance and working capital management

2017 EBIT GUIDANCE CONFIRMED

Q1 2017 PUTS US ON TRACK TO DELIVER ON FULL YEAR TARGETS

Organic growth accelerating as we leverage opportunities through disciplined and targeted investments, notably across the entire e-commerce logistics value chain

EBIT performance confirms positive divisional operational momentum although Forwarding markets remain in a turnaround phase

Strong cash flow driven by good operating performance and focused working capital management

WE ARE IN A STRONG POSITION TO DELIVER ON STRATEGY 2020

Deutsche Post DHL
Group

SELECTED KEY FIGURES

MAIL COMMUNICATION

Mail items (millions)

Q1 2017 2,126

Q1 2016 2,225

−4.4%

PARCEL GERMANY

Parcels (millions)

Q1 2017 315

Q1 2016 288

+9.4%

TIME DEFINITE INTERNATIONAL (TDI)

Thousands of items per day

Q1 2017 824

Q1 2016, adjusted 763

+8.0%

REVENUE, Q1 2017

€14,883 million

(Q1 2016: €13,872 million)

EBIT, Q1 2017

€885 million

Profit from operating activities.
(Q1 2016: €873 million)

EARNINGS PER SHARE

€

Q1 2017 0.52

Q1 2016 0.53

Basic earnings per share.

RETURN ON SALES, Q1 2017

5.9%

(Q1 2016: 6.3%)

CONSOLIDATED NET PROFIT FOR THE PERIOD

€m

Q1 2017 633

Q1 2016 639

After deduction of non-controlling interests.

		Q1 2016	Q1 2017	+/−%
Revenue	€m	13,872	14,883	7.3
Profit from operating activities (EBIT)	€m	873	885	1.4
Return on sales[1]	%	6.3	5.9	–
EBIT after asset charge (EAC)	€m	490	487	−0.6
Consolidated net profit for the period[2]	€m	639	633	−0.9
Free cash flow	€m	−700	−430	38.6
Net debt[3]	€m	2,261	2,720	20.3
Earnings per share[4]	€	0.53	0.52	−1.9
Number of employees[5]		508,036	505,517	−0.5

[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

No organisational changes were made in the first quarter of 2017 that would have a material impact on the Group's 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

Global economic growth picked up slightly at the beginning of the year but nevertheless remained subdued overall.

In Asia, growth remained robust overall. The Chinese economy stabilised, whilst the Japanese economy continued to see moderate growth.

The increase in private consumption in the United States slowed considerably in early 2017. The sharp rise in gross fixed capital formation was unable to offset this development. Nevertheless, the US Federal Reserve increased its key interest rate by 0.25 percentage points to 0.75% to 1.00%.

In the euro zone, the economic upswing continued. Private consumption and capital expenditures increased domestic demand. Exports also provided momentum, and inflation increased significantly. The European Central Bank left its key interest rate at 0.00% and continued its bond-buying programme as planned.

The German economy saw strong growth thanks to stimulus from private consumption, construction spending and exports. Corporate sentiment also reflected this development with the ifo German Business Climate Index reaching its highest level in more than five years.

Significant events

By way of a resolution of the Board of Management dated 21 March 2017, a capital reduction was implemented through retirement of 27.3 million treasury shares, note 10.

Results of operations

Selected indicators for results of operations

		Q1 2016	Q1 2017
Revenue	€m	13,872	14,883
Profit from operating activities (EBIT)	€m	873	885
Return on sales[1]	%	6.3	5.9
EBIT after asset charge (EAC)	€m	490	487
Consolidated net profit for the period[2]	€m	639	633
Earnings per share[3]	€	0.53	0.52

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

Portfolio and reporting unchanged

There were no notable changes in the portfolio or in reporting during the reporting period.

Consolidated revenue increases to €14,883 million

Consolidated revenue rose by €1,011 million in the first quarter of 2017 to €14,883 million. Positive currency effects led to a rise of €34 million. The proportion of revenue generated abroad rose from 67.7% to 69.3%.

Other operating income dropped from €548 million to €519 million. The figure for the previous year included a gain of €63 million on the disposal of the shares in King's Cross, amongst other things.

Expenses increased

Materials expense rose by €722 million to €8,023 million, due in particular to an increase in transport costs. At €5,103 million, staff costs were higher year-on-year, primarily as a result of the increased headcount. Depreciation, amortisation and impairment losses were up by €21 million to €347 million due to investment activity. Other operating expenses rose from €1,000 million to €1,045 million on the back of a large number of minor factors.

Consolidated EBIT up 1.4%

Profit from operating activities (EBIT) improved by 1.4% year-on-year in the first quarter of 2017 to €885 million. At €93 million, net finance costs equalled the prior-year figure. Profit before income taxes rose by €12 million to €792 million. Income taxes also rose due to a higher tax rate, climbing €10 million to €119 million.

Changes in revenue, other operating income and operating expenses, Q1 2017

	€m	+/– %	
Revenue	14,883	7.3	• Currency effects lead to rise of €34 million
Other operating income	519	–5.3	• Prior-year figure contained a gain of €63 million on the disposal of the shares in King's Cross
Materials expense	8,023	9.9	• Higher transport costs
Staff costs	5,103	3.7	• Rise in headcount
Depreciation, amortisation and impairment losses	347	6.4	• Increase due to investment activity
Other operating expenses	1,045	4.5	• Large number of minor factors

Consolidated net profit slightly above prior-year level

Consolidated net profit in the reporting period amounted to €673 million, slightly exceeding the prior-year level (€671 million). Of this amount, €633 million is attributable to shareholders of Deutsche Post AG and €40 million to non-controlling interest holders. Basic earnings per share declined slightly from €0.53 to €0.52, whilst diluted earnings per share were unchanged at €0.51.

EBIT after asset charge (EAC) down slightly year-on-year

EAC declined slightly in the first quarter of 2017, falling from €490 million to €487 million. The imputed asset charge increased year-on-year, particularly as a result of investments in property, plant and equipment in the Post - eCommerce - Parcel and Express divisions.

EBIT after asset charge (EAC)

€m	Q1 2016	Q1 2017	+/– %
EBIT	873	885	1.4
– Asset charge	–383	–398	–3.9
= **EAC**	**490**	**487**	**–0.6**

Financial position

Selected cash flow indicators

€m	Q1 2016	Q1 2017
Cash and cash equivalents as at 31 March	2,732	2,672
Change in cash and cash equivalents	–793	–444
Net cash used in/from operating activities	–212	90
Net cash used in investing activities	–467	–322
Net cash used in financing activities	–114	–212

Liquidity situation remains solid

The principles and aims of our financial management as presented in the 2016 Annual Report beginning on page 52 remain valid and continue to be pursued as part of our finance strategy.

The FFO to debt performance metric decreased marginally in the first quarter of 2017 compared with the figure as at 31 December 2016 as a result of the slight increase in debt. 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. In addition, the adjustment for operating leases in the FFO-to-debt calculation rose because of the increase in lease obligations.

Our credit quality as rated by Moody's Investors Service and Fitch Ratings has not changed from the ratings described and projected in the 2016 Annual Report beginning on page 55. 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 2017, the Group had cash and cash equivalents of €2.7 billion.

FFO to debt

€m	1 Jan. to 31 Dec. 2016	1 April 2016 to 31 March 2017
Operating cash flow before changes in working capital	2,514	2,571
+ Interest received	50	49
– Interest paid	138	141
+ Adjustment for operating leases	1,569	1,580
+ Adjustment for pensions	1,003	1,051
= **Funds from operations (FFO)**	**4,998**	**5,110**
Reported financial liabilities[1]	6,035	5,859
– Financial liabilities at fair value through profit or loss[1]	121	116
+ Adjustment for operating leases[1]	7,166	7,405
+ Adjustment for pensions[1]	5,467	5,408
– Surplus cash and near-cash investments[1,2]	2,239	1,547
= **Debt**	**16,308**	**17,009**
FFO to debt (%)	**30.6**	**30.0**

[1] As at 31 December 2016/31 March 2017.
[2] 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	
	2016 adjusted[2]	2017	2016 adjusted[2]	2017	2016	2017	2016	2017	2016	2017	2016 adjusted[2]	2017	2016	2017
Capex (€m)	74	103	191	132	10	18	100	61	37	21	–1	–1	**411**	**334**
Depreciation, amortisation and impairment losses (€m)	78	88	104	118	20	17	74	75	51	50	–1	–1	**326**	**347**
Ratio of capex to depreciation, amortisation and impairment losses	0.95	1.17	1.84	1.12	0.50	1.06	1.35	0.81	0.73	0.42	–	–	**1.26**	**0.96**

[1] Including rounding.
[2] Reassignment of companies in Spain and Portugal from the Express division to the Post - eCommerce - Parcel division.

Capital expenditure down from strong prior-year quarter

Investments in property, plant and equipment and intangible assets (not including goodwill) amounted to €334 million in the first quarter of 2017 (previous year: €411 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 was 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 capital expenditure went towards the continuous maintenance and renewal of our aircraft fleet. We also invested further in expanding our network infrastructure, particularly in Leipzig, Brussels, Cincinnati and Singapore.

In the Global Forwarding, Freight division, we continued to invest in warehouses, office buildings and IT.

In the Supply Chain division, the majority of funds was 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 decreased due to lower spending on IT equipment and the conventional vehicle fleet.

Higher operating cash flow

Net cash from operating activities in the first quarter of 2017 amounted to €90 million. In the same quarter of the previous year, the increased utilisation of provisions negatively impacted this figure, resulting in net cash used in operating activities of €212 million. Income tax payments amounted to €170 million, up €81 million year-on-year. The cash outflow from changes in working capital decreased by €245 million to €820 million, due in particular to the clear drop in the reduction in liabilities and other items compared with the prior year.

At €322 million, net cash used in investing activities was lower than the figure for the previous year (€467 million). The sale of money market funds led to a cash inflow of €200 million. By contrast, the prior-year figure contained proceeds from the sale of the shares in King's Cross.

Calculation of free cash flow

€m

	Q1 2016	Q1 2017
Net cash used in/from operating activities	**–212**	**90**
Sale of property, plant and equipment and intangible assets	33	51
Acquisition of property, plant and equipment and intangible assets	–577	–535
Cash outflow arising from change in property, plant and equipment and intangible assets	**–544**	**–484**
Disposals of subsidiaries and other business units	0	0
Disposals of investments accounted for using the equity method and other investments	80	0
Acquisition of subsidiaries and other business units	0	–4
Acquisition of investments accounted for using the equity method and other investments	–19	–23
Cash inflow/outflow arising from acquisitions/divestitures	**61**	**–27**
Interest received	11	10
Interest paid	–16	–19
Net interest paid	**–5**	**–9**
Free cash flow	**–700**	**–430**

Free cash flow improved significantly from €–700 million to €–430 million, due primarily to net cash from operating activities of €90 million. This contrasts with net cash used in operating activities of €212 million in the prior-year period. Conversely, in the previous year changes in shareholdings led to a cash inflow of €61 million, which largely came from the sale of the shares in King's Cross. This contrasts with a cash outflow of €27 million during the reporting period.

At €212 million, net cash used in financing activities was up €98 million on the prior-year figure (€114 million); the main driver here was the purchase of treasury shares in the amount of €147 million. Cash paid for transactions with non-controlling interests in the amount of €45 million related to the subsequent purchase price payment in connection with the acquisition of all of the shares in the Giorgio Gori Group in 2014.

Cash and cash equivalents declined from €3,107 million as at 31 December 2016 to €2,672 million.

Net assets

Selected indicators for net assets

		31 Dec. 2016	31 March 2017
Equity ratio	%	29.6	31.3
Net debt	€m	2,261	2,720
Net interest cover[1]		174.6	98.3
Net gearing	%	16.6	18.5
FFO to debt[2]	%	30.6	30.0

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

Increase in consolidated total assets

The Group's total assets amounted to €38,355 million as at 31 March 2017, €60 million higher than at 31 December 2016 (€38,295 million).

The €622 million increase in other current assets to €2,798 million was the main driver behind this development. This figure includes a deferred expense of €345 million as at the balance sheet date, which was recognised for the prepaid annual contribution for civil servant pensions to the *Bundesanstalt für Post und Telekommunikation*. In addition, deferred tax assets increased from €2,192 million to €2,281 million. By contrast, current financial assets fell by €219 million to €155 million, due in particular to our sale of money market funds in the amount of €200 million. The €435 million decrease in cash and cash equivalents to €2,672 million is described in the section entitled Financial position, page 4 f.

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders rose by €632 million to €11,719 million: whilst the consolidated net profit for the period served to increase this figure, actuarial losses on pension obligations slightly reduced equity. Other current liabilities rose from €4,292 million to €4,734 million, due above all to an increase in liabilities to employees. By contrast, trade payables fell tangibly from €7,178 million to €6,361 million. Current financial liabilities fell from €1,464 million to €1,273 million, due mainly to the end of the share buyback programme.

Net debt increases to €2,720 million

Our net debt rose from €2,261 million as at 31 December 2016 to €2,720 million as at 31 March 2017, in part because of a regular contribution for civil servant pensions to the *Bundesanstalt für Post und Telekommunikation* due in the first quarter. The annual contribution for 2017 amounts to €493 million. At 31.3%, the equity ratio was higher than at 31 December 2016 (29.6%). The net interest cover ratio – the extent to which net interest obligations are covered by EBIT – fell from 174.6 to 98.3. Net gearing was 18.5% as at 31 March 2017.

Net debt

€m

	31 Dec. 2016	31 March 2017
Non-current financial liabilities	4,516	4,529
+ Current financial liabilities	1,381	1,174
= Financial liabilities[1]	**5,897**	**5,703**
– Cash and cash equivalents	3,107	2,672
– Current financial assets	374	155
– Positive fair value of non-current financial derivatives[2]	155	156
= Financial assets	**3,636**	**2,983**
Net debt	**2,261**	**2,720**

[1] Less financial liabilities of an operational nature.
[2] Reported in non-current financial assets in the balance sheet.

Business performance in the divisions

POST - ECOMMERCE - PARCEL DIVISION

Key figures of the Post - eCommerce - Parcel division

€m	Q1 2016 adjusted[1]	Q1 2017	+/– %
Revenue	4,272	4,545	6.4
of which Post	2,533	2,502	–1.2
eCommerce - Parcel	1,739	2,043	17.5
Profit from operating activities (EBIT)	414	425	2.7
of which Germany	410	412	0.5
International Parcel and eCommerce	4	13	>100
Return on sales (%)[2]	9.7	9.4	–
Operating cash flow	76	176	>100

[1] Reassignment of companies in Spain and Portugal from the Express division note 13.
[2] EBIT/revenue.

Revenue exceeds prior-year figure

In the first quarter of 2017, with three additional working days in Germany, revenue in the division was €4,545 million, 6.4% above the prior-year figure of €4,272 million. The growth originated from the eCommerce - Parcel business unit. Negative currency effects of €1 million were recorded in the reporting period.

Decline in revenue and volumes in the Post business unit

In the Post business unit, revenue and volumes in the first quarter of 2017 were below the prior-year level. Revenue declined by 1.2% to €2,502 million (previous year: €2,533 million). Volumes declined by 1.6%.

Mail Communication volumes remained in decline. In the Dialogue Marketing business, however, revenue and volumes increased, especially in addressed mail.

In the cross-border mail business, although the trend towards merchandise shipments by mail continued, it could not offset volume declines in promotional mailing and document dispatch.

Post: revenue

€m	Q1 2016 adjusted[1]	Q1 2017	+/– %
Mail Communication	1,724	1,690	–2.0
Dialogue Marketing	547	553	1.1
Other	262	259	–1.1
Total	**2,533**	**2,502**	**–1.2**

[1] Changed product allocations.

Post: volumes

Mail items (millions)	Q1 2016 adjusted[1]	Q1 2017	+/– %
Total	4,882	4,805	–1.6
of which Mail Communication	2,225	2,126	–4.4
of which Dialogue Marketing	2,193	2,229	1.6

[1] Changed product allocations.

eCommerce - Parcel business unit continues to grow

In the first quarter of 2017, revenue in the business unit was €2,043 million, exceeding the prior-year figure of €1,739 million by 17.5%.

Parcel Germany's revenue increased by 6.1% to €1,204 million (previous year: €1,135 million). Volumes rose by 9.4% to 315 million parcels.

In the Parcel Europe business, revenue grew by 70.3% to €458 million (previous year: €269 million), driven primarily by the start of business activities in the United Kingdom through the acquisition of UK Mail, which generated revenue of €139 million in the reporting period. The European network has included Spain and Portugal since the beginning of the year, bringing the total number of countries in the network to 22 including the German domestic market.

In the DHL eCommerce business, revenue was €381 million in the reporting period, exceeding the prior-year figure by 13.7%. Excluding currency effects, growth was 9.6%.

eCommerce - Parcel: revenue

€m	Q1 2016 adjusted[1]	Q1 2017	+/– %
Parcel Germany	1,135	1,204	6.1
Parcel Europe[2]	269	458	70.3
DHL eCommerce[3]	335	381	13.7
Total	**1,739**	**2,043**	**17.5**

[1] Reassignment of companies in Spain and Portugal from the Express division note 13.
[2] Excluding Germany.
[3] Outside Europe.

Parcel Germany: volumes

Parcels (millions)	Q1 2016	Q1 2017	+/– %
Total	288	315	9.4

Improvement in EBIT

EBIT in the division improved by 2.7% to €425 million (previous year: €414 million) in the first quarter of 2017. This was driven mainly by higher revenues, whilst increased material and labour costs as well as the continued investments in the parcel network prevented a more significant improvement in earnings. The majority of our EBIT continues to be generated in Germany. Return on sales fell to 9.4% (previous year: 9.7%).

Operating cash flow increased from €76 million to €176 million, which was attributable mainly to a lower net cash outflow from working capital. The annual prepayment to the *Bundesanstalt für Post und Telekommunikation* was reflected in the first quarter: for 2017, the division's share of the total amount is €460 million.

EXPRESS DIVISION

Key figures of the EXPRESS division

€m	Q1 2016 adjusted[1]	Q1 2017	+/– %
Revenue	3,181	3,595	13.0
of which Europe	1,406	1,595	13.4
Americas	630	718	14.0
Asia Pacific	1,187	1,333	12.3
MEA (Middle East and Africa)	261	280	7.3
Consolidation/Other	–303	–331	–9.2
Profit from operating activities (EBIT)	355	396	11.5
Return on sales (%)[2]	11.2	11.0	–
Operating cash flow	237	340	43.5

[1] Reassignment of companies in Spain and Portugal to the Post - eCommerce - Parcel division note 13.
[2] EBIT/revenue.

International business continues to grow

Revenue in the division increased by 13.0% to €3,595 million in the first quarter of 2017 (previous year: €3,181 million). We recorded positive currency effects of €24 million. Excluding these effects, revenue growth was 12.3%. This also reflects the fact that fuel surcharges were higher in all regions as the price of crude oil increased compared with the previous year. Revenue increased by 9.9% excluding the positive effects resulting from both foreign currency gains and higher fuel surcharges.

In the Time Definite International (TDI) product line, revenues per day increased by 9.6% and per-day shipment volumes by 8.0%.

In the Time Definite Domestic (TDD) product line, revenues per day increased by 7.9% in the reporting period and per-day shipment volumes by 3.8%.

EXPRESS: revenue by product

€m per day[1]	Q1 2016 adjusted[2]	Q1 2017	+/– %
Time Definite International (TDI)	39.4	43.2	9.6
Time Definite Domestic (TDD)	3.8	4.1	7.9

[1] To improve comparability, product revenues were translated at uniform exchange rates.
[2] Reassignment of companies in Spain and Portugal to the Post - eCommerce - Parcel division note 13.

EXPRESS: volumes by product

Thousands of items per day	Q1 2016 adjusted[1]	Q1 2017	+/– %
Time Definite International (TDI)	763	824	8.0
Time Definite Domestic (TDD)	419	435	3.8

[1] Reassignment of companies in Spain and Portugal to the Post - eCommerce - Parcel division note 13.

Operating business in the Europe region booming

Revenue in the Europe region increased by 13.4% to €1,595 million in the first quarter of 2017 (previous year: €1,406 million). This included negative currency effects of €19 million, which related mainly to the United Kingdom and Turkey. Excluding these effects, revenue growth was 14.8%. In the TDI product line, revenues per day increased by 11.8%. Per-day shipment volumes improved by 12.7%.

Strong momentum in the Americas region

Revenue in the Americas region increased by 14.0% to €718 million (previous year: €630 million). This included positive currency effects of €12 million that relate mainly to our business activities in the USA. Excluding these effects, revenue in the region rose by 12.1%. In the TDI product line, per-day shipments were up by 8.2% compared with the previous year. Revenues per day increased by 8.6%.

Volumes in Asia Pacific region see moderate increase

Revenue in the Asia Pacific region increased by 12.3% to €1,333 million in the first quarter (previous year: €1,187 million). This included positive currency effects of €38 million that related primarily to Japan and South Korea as well as other countries in the region. Excluding these effects, the revenue increase was 9.1%. In the TDI area, revenues per day rose by 8.1% and per-day volumes by 1.7%.

Double-digit volume increase in MEA region

Revenue in the MEA region (Middle East and Africa) increased by 7.3% to €280 million in the reporting period (previous year: €261 million). This included negative currency effects of €7 million, which related mainly to Egypt. Excluding these effects, revenue growth in this region was 10.0%. TDI revenues per day rose by 6.8% and per-day volumes by 11.5%.

EBIT and operating cash flow increase significantly

EBIT in the division rose by 11.5% to €396 million in the first quarter of 2017 (previous year: €355 million), driven by network improvement and strong international business growth. Return on sales changed slightly from 11.2% to 11.0%. Operating cash flow in the reporting period rose to €340 million (previous year: €237 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Key figures of the GLOBAL FORWARDING, FREIGHT division

€m	Q1 2016	Q1 2017	+/– %
Revenue	3,327	3,546	6.6
of which Global Forwarding	2,325	2,503	7.7
Freight	1,044	1,080	3.4
Consolidation/Other	–42	–37	11.9
Profit from operating activities (EBIT)	51	40	–21.6
Return on sales (%)[1]	1.5	1.1	–
Operating cash flow	–166	–64	61.4

[1] EBIT/revenue.

Positive revenue performance in freight forwarding business

Revenue in the division increased by 6.6% to €3,546 million in the first quarter of 2017 (previous year: €3,327 million). Excluding positive currency effects of €30 million, revenue was up year-on-year by 5.7%. In the Global Forwarding business unit, revenue in the reporting period increased by 7.7% to €2,503 million (previous year: €2,325 million). Excluding positive currency effects of €38 million, the increase was 6.0%. Gross profit was €590 million, thereby exceeding the prior-year figure (€580 million).

Air and ocean freight revenues up, margins under pressure

Air and ocean freight revenues and volumes grew significantly in the reporting period.

Air freight volumes were up by 13.9%, driven by new business wins from the previous year. Due to our contract structures the air freight price increases compared with last year can only be passed on to customers with a delay, which limited the revenue increase to 6.9% in the first quarter of 2017. Freight rates in Asia remained volatile on the export side, increasing towards the end of the quarter, particularly on the transpacific route, to a level comparable with the peak season of the fourth quarter of the previous year. As a result, air freight gross profit fell 1.4% despite increased volumes.

Ocean freight volumes were up by 6.4% in the reporting period, driven mainly by growth on the trade lanes between Asia and Europe and supported by growth in the transpacific market. Freight rates increased considerably on most trade lanes, in some cases due to capacity shortages. As a result, our ocean freight revenue increased by 3.7% whilst gross profit fell by 0.6%.

The performance of our industrial project business (in the following table reported as part of Other in the Global Forwarding business unit) improved compared with the previous year. The share of revenue related to industrial project business and reported under Other was 25.8% and therefore up year-on-year (previous year: 20.4%). Gross profit improved by 5.5%.

Global Forwarding: revenue

€m	Q1 2016	Q1 2017	+/– %
Air freight	1,053	1,126	6.9
Ocean freight	812	842	3.7
Other	460	535	16.3
Total	**2,325**	**2,503**	**7.7**

Global Forwarding: volumes

Thousands		Q1 2016	Q1 2017	+/– %
Air freight	tonnes	836	952	13.9
of which exports	tonnes	476	534	12.2
Ocean freight	TEUs[1]	722	768	6.4

[1] Twenty-foot equivalent units.

Revenue in European overland transport business above prior-year level

In the Freight business unit, revenue rose by 3.4% to €1,080 million in the first quarter of 2017 (previous year: €1,044 million) despite negative currency effects of €8 million. The 5.4% volume growth was driven mainly by e-commerce business in Sweden and less-than-truckload business in Germany. The increases in revenues and volumes improved gross profit by 2.2% to €278 million (previous year: €272 million).

Pressure on margins impacts EBIT

EBIT in the division decreased in the reporting period from €51 million to €40 million. High freight rates put increasing pressure on gross profit margins in the core air and ocean freight products. Return on sales fell to 1.1% (previous year: 1.5%).

Net working capital declined in the reporting period thanks to improved payables management. The positive development was partially offset by increased receivables resulting from higher transport volumes. Operating cash flow amounted to €–64 million (previous year: €–166 million).

SUPPLY CHAIN DIVISION

Key figures of the SUPPLY CHAIN division

€m	Q1 2016	Q1 2017	+/– %
Revenue	3,393	3,523	3.8
of which EMEA (Europe, Middle East and Africa)	1,845	1,772	–4.0
Americas	1,049	1,161	10.7
Asia Pacific	508	597	17.5
Consolidation/Other	–9	–7	22.2
Profit from operating activities (EBIT)	127	99	–22.0
Return on sales (%)[1]	3.7	2.8	–
Operating cash flow	–141	–104	26.2

[1] EBIT/revenue.

Revenue growth in all focus sectors

Revenue in the division increased by 3.8% to €3,523 million in the first quarter of 2017 (previous year: €3,393 million). The increase was driven by dynamic business performance across all regions, which was partly offset by negative currency effects of €21 million. Excluding this effect, revenue growth was 4.5%. Compared with the previous year, the Life Sciences & Healthcare and Technology sectors achieved the highest revenue growth.

In the EMEA region, revenue showed a slight decrease as growth in the Automotive and Life Sciences & Healthcare sectors could not completely compensate for the negative currency effects.

In the Americas region, we gained revenue mainly from new business in the Consumer and Life Sciences & Healthcare sectors.

The Asia Pacific region saw strong revenue growth, driven predominantly by the Life Sciences & Healthcare sector in Australia and the Technology sector across all countries in the region.

SUPPLY CHAIN: revenue by sector and region, Q1 2017

Total revenue: €3,523 million

of which Consumer	25%
Retail	24%
Automotive	14%
Technology	12%
Life Sciences & Healthcare	11%
Others	6%
Engineering & Manufacturing	5%
Financial Services	3%
of which Europe/Middle East/Africa/Consolidation	50%
Americas	33%
Asia Pacific	17%

New business worth around €192 million secured

In the first quarter of 2017, the division concluded additional contracts worth around €192 million in annualised revenue with both new and existing customers. The Automotive, Engineering & Manufacturing, Technology and Consumer sectors accounted for the majority of the gains. The annualised contract renewal rate remained at a consistently high level.

Prior-year one-off effects slow EBIT growth

EBIT in the division was €99 million in the first quarter of 2017 (previous year: €127 million). EBIT in the same period of 2016 was influenced by income from the sale of shares in King's Cross in the UK and restructuring efforts. Excluding these effects, EBIT improved in the reporting period by 11% due to business growth and the effects of strategic initiatives. Return on sales fell to 2.8% (previous year: 3.7%). Operating cash flow increased to €–104 million (previous year: €–141 million). This improvement resulted largely from better operational performance and a positive change in working capital.

OPPORTUNITIES AND RISKS

The Group's overall opportunity and risk situation did not change significantly during the first three months of 2017 as compared with the situation described in the @ 2016 Annual Report, beginning on page 74. No new risks have been identified that could have a potentially critical impact on the Group's results. Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current forecast period which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern. Nor are any such risks apparent in the foreseeable future.

Deutsche Post AG action against state aid decision also brought to a close

In an order dated 17 March 2017 the General Court of the European Union (EGC) declared that there was no longer any need to adjudicate on the action brought by Deutsche Post AG against the 2012 state aid decision by the European Commission. The costs were assigned to the European Commission. On 14 July 2016, the EGC had already set aside the state aid decision in a separate action brought by the Federal Republic of Germany. We have described this in detail in the @ 2016 Annual Report in note 48 to the consolidated financial statements.

EXPECTED DEVELOPMENTS

Future economic parameters

The economic outlook for full-year 2017 as reported in the @ 2016 Annual Report beginning on page 82 improved slightly in the first quarter. The International Monetary Fund (IMF) now expects global economic output to grow by 3.5% and global trade by 3.8%. Risks jeopardising this outlook are related to the UK's intention to withdraw from the EU, formal notification for which was submitted at the end of March.

In China, gross domestic product (GDP) is likely to grow slightly more slowly than in the previous year (IMF: 6.6%). GDP growth in Japan is likely to remain moderate (IMF: 1.2%; IHS: 1.3%).

Overall, GDP in the United States is anticipated to increase more noticeably than in the previous year (IMF: 2.3%; IHS: 2.4%).

In the euro zone, GDP growth is projected to be slightly lower than the previous year (IMF: 1.7%; ECB: 1.8%; IHS: 1.6%).

Early indicators suggest that the upswing in Germany will continue, although the rate of economic growth is expected to be slower than in the prior year (IMF: 1.6%; *Sachverständigenrat*: 1.4%; IHS: 1.9%).

Revenue and earnings forecast

We are reconfirming the revenue and earnings forecast for full-year 2017 as described in the **2016 Annual Report on page 83.**

Expected financial position

We are reconfirming the expected financial position for full-year 2017 as described in the **2016 Annual Report, on page 84.**

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 2017 performance as described in the **2016 Annual Report on page 84.**

INCOME STATEMENT

1 January to 31 March

€m	2016	2017
Revenue	13,872	14,883
Other operating income	548	519
Total operating income	14,420	15,402
Materials expense	−7,301	−8,023
Staff costs	−4,921	−5,103
Depreciation, amortisation and impairment losses	−326	−347
Other operating expenses	−1,000	−1,045
Total operating expenses	−13,548	−14,518
Net income from investments accounted for using the equity method	1	1
Profit from operating activities (EBIT)	**873**	**885**
Financial income	28	21
Finance costs	−97	−109
Foreign currency result	−24	−5
Net finance costs	**−93**	**−93**
Profit before income taxes	**780**	**792**
Income taxes	−109	−119
Consolidated net profit for the period	**671**	**673**
attributable to Deutsche Post AG shareholders	639	633
attributable to non-controlling interests	32	40
Basic earnings per share (€)	**0.53**	**0.52**
Diluted earnings per share (€)	**0.51**	**0.51**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 March

€m	2016	2017
Consolidated net profit for the period	**671**	**673**
Items that will not be reclassified to profit or loss		
Change due to remeasurements of net pension provisions	−977	−93
Other changes in retained earnings	0	0
Income taxes relating to components of other comprehensive income	32	29
Share of other comprehensive income of investments accounted for using the equity method (after tax)	0	0
Total (after tax)	**−945**	**−64**
Items that may be subsequently reclassified to profit or loss		
IAS 39 revaluation reserve		
Changes from unrealised gains and losses	−7	2
Changes from realised gains and losses	−63	0
IAS 39 hedging reserve		
Changes from unrealised gains and losses	42	−76
Changes from realised gains and losses	8	3
Currency translation reserve		
Changes from unrealised gains and losses	−441	18
Changes from realised gains and losses	0	0
Income taxes relating to components of other comprehensive income	−2	22
Share of other comprehensive income of investments accounted for using the equity method (after tax)	0	−1
Total (after tax)	**−463**	**−32**
Other comprehensive income (after tax)	**−1,408**	**−96**
Total comprehensive income	**−737**	**577**
attributable to Deutsche Post AG shareholders	−759	537
attributable to non-controlling interests	22	40

BALANCE SHEET

€m	31 Dec. 2016	31 March 2017
ASSETS		
Intangible assets	12,554	12,537
Property, plant and equipment	8,389	8,289
Investment property	23	23
Investments accounted for using the equity method	97	119
Non-current financial assets	689	693
Other non-current assets	222	208
Deferred tax assets	2,192	2,281
Non-current assets	**24,166**	**24,150**
Inventories	275	283
Current financial assets	374	155
Trade receivables	7,965	8,043
Other current assets	2,176	2,798
Income tax assets	232	248
Cash and cash equivalents	3,107	2,672
Assets held for sale	0	6
Current assets	**14,129**	**14,205**
Total ASSETS	**38,295**	**38,355**
EQUITY AND LIABILITIES		
Issued capital	1,211	1,207
Capital reserves	2,932	3,006
Other reserves	−284	−316
Retained earnings	7,228	7,822
Equity attributable to Deutsche Post AG shareholders	11,087	11,719
Non-controlling interests	263	302
Equity	**11,350**	**12,021**
Provisions for pensions and similar obligations	5,580	5,508
Deferred tax liabilities	106	98
Other non-current provisions	1,498	1,504
Non-current provisions	7,184	7,110
Non-current financial liabilities	4,571	4,586
Other non-current liabilities	372	381
Non-current liabilities	4,943	4,967
Non-current provisions and liabilities	**12,127**	**12,077**
Current provisions	1,323	1,317
Current financial liabilities	1,464	1,273
Trade payables	7,178	6,361
Other current liabilities	4,292	4,734
Income tax liabilities	561	572
Liabilities associated with assets held for sale	0	0
Current liabilities	13,495	12,940
Current provisions and liabilities	**14,818**	**14,257**
Total EQUITY AND LIABILITIES	**38,295**	**38,355**

CASH FLOW STATEMENT

1 January to 31 March

€m	2016	2017
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	639	633
Consolidated net profit for the period attributable to non-controlling interests	32	40
Income taxes	109	119
Net finance costs	93	93
Profit from operating activities (EBIT)	**873**	**885**
Depreciation, amortisation and impairment losses	326	347
Net income from disposal of non-current assets	−72	−57
Non-cash income and expense	7	3
Change in provisions	−178	−93
Change in other non-current assets and liabilities	−15	−5
Dividend received	1	0
Income taxes paid	−89	−170
Net cash from operating activities before changes in working capital	**853**	**910**
Changes in working capital		
Inventories	−29	−8
Receivables and other current assets	−546	−680
Liabilities and other items	−490	−132
Net cash used in/from operating activities	**−212**	**90**
Subsidiaries and other business units	0	0
Property, plant and equipment and intangible assets	33	51
Investments accounted for using the equity method and other investments	80	0
Other non-current financial assets	10	7
Proceeds from disposal of non-current assets	123	58
Subsidiaries and other business units	0	−4
Property, plant and equipment and intangible assets	−577	−535
Investments accounted for using the equity method and other investments	−19	−23
Other non-current financial assets	−24	−5
Cash paid to acquire non-current assets	−620	−567
Interest received	11	10
Current financial assets	19	177
Net cash used in investing activities	**−467**	**−322**
Proceeds from issuance of non-current financial liabilities	10	14
Repayments of non-current financial liabilities	−11	−11
Change in current financial liabilities	−12	23
Other financing activities	−60	−26
Cash paid for transactions with non-controlling interests	0	−45
Dividend paid to non-controlling interest holders	0	−1
Purchase of treasury shares	−25	−147
Interest paid	−16	−19
Net cash used in financing activities	**−114**	**−212**
Net change in cash and cash equivalents	**−793**	**−444**
Effect of changes in exchange rates on cash and cash equivalents	−85	9
Changes in cash and cash equivalents associated with assets held for sale	1	0
Changes in cash and cash equivalents due to changes in consolidated group	1	0
Cash and cash equivalents at beginning of reporting period	3,608	3,107
Cash and cash equivalents at end of reporting period	**2,732**	**2,672**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 March

€m			Other reserves						
	Issued capital	Capital reserves	IAS 39 revaluation reserve	IAS 39 hedging reserve	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
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**
Balance at 1 January 2017	1,211	2,932	11	3	−298	7,228	11,087	263	11,350
Capital transactions with owner									
Dividend						0	0	−1	−1
Transactions with non-controlling interests			0	0	0	0	0	0	0
Changes in non-controlling interests due to changes in consolidated group							0	0	0
Issue/retirement of treasury shares	0	27				−27	0	0	0
Purchase of treasury shares	−4	0				52	48	0	48
Convertible bond	0	1				0	1	0	1
Share-based payment schemes (issuance)	0	46				0	46	0	46
Share-based payment schemes (exercise)	0	0				0	0	0	0
							95	**−1**	**94**
Total comprehensive income									
Consolidated net profit for the period						633	633	40	673
Currency translation differences					17	0	17	0	17
Change due to remeasurements of net pension provisions						−64	−64	0	−64
Other changes	0	0	2	−51		0	−49	0	−49
							537	**40**	**577**
Balance at 31 March 2017	**1,207**	**3,006**	**13**	**−48**	**−281**	**7,822**	**11,719**	**302**	**12,021**

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 2017 and have been reviewed.

BASIS OF PREPARATION

1 Basis of accounting

The accompanying condensed consolidated interim financial statements as at 31 March 2017 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 2017 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 2016.

Notwithstanding this general principle, changes in the value of the stock appreciation rights (SARs) of Board of Management members and executives due to share price movements occurring after the date the SARs were granted are no longer included in staff costs starting on 1 January 2017. They are instead recognised in net finance costs in other finance costs. No adjustment was made to the prior-period amounts in which the changes in value were still reported in staff costs, because the effects were not material for the consolidated financial statements.

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 2016, on which these interim financial statements are based.

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. 2016	31 March 2017
Number of fully consolidated companies (subsidiaries)		
German	132	132
Foreign	655	654
Number of joint operations		
German	1	1
Foreign	1	1
Number of investments accounted for using the equity method		
German	0	0
Foreign	12	13

In the first quarter of 2017, 22.56% of the shares of Israel-based Global-E Online Ltd. were acquired. The company is accounted for in the consolidated financial statements using the equity method.

2.1 Acquisitions

No companies requiring full consolidation were acquired in the first quarter of 2017.

Preliminary purchase price allocation for UK Mail Group plc and UK Mail Limited, United Kingdom, which were acquired in December 2016, was disclosed in the consolidated financial statements for the year ended 31 December 2016. At that time, not all of the information necessary for final purchase price allocation was available. This resulted in preliminary goodwill of €201 million. Final purchase price allocation was completed in the first quarter of 2017 and did not result in any adjustment of the disclosed preliminary purchase price allocation.

2.2 Disposal and deconsolidation effects

There were no disposal or deconsolidation effects in the first quarter of 2017.

3 Significant transactions

By way of a resolution of the Board of Management dated 21 March 2017, a capital reduction was implemented through retirement of 27.3 million treasury shares, note 10.

INCOME STATEMENT DISCLOSURES

4 Other operating income

€m	Q1 2016	Q1 2017
Gains on disposal of non-current assets	78	71
Income from the reversal of provisions	66	55
Insurance income	49	52
Income from work performed and capitalised	16	46
Income from currency translation differences	57	39
Reversals of impairment losses on receivables and other assets	31	30
Income from fees and reimbursements	29	30
Commission income	26	30
Rental and lease income	26	24
Income from derivatives	12	18
Income from the remeasurement of liabilities	12	16
Income from prior-period billings	9	13
Income from loss compensation	6	7
Income from the derecognition of liabilities	4	6
Recoveries on receivables previously written off	3	2
Subsidies	1	2
Miscellaneous	123	78
Total	**548**	**519**

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

5 Depreciation, amortisation and impairment losses

The depreciation, amortisation and impairment losses item amounting to €347 million does not contain any impairment losses. In the prior-year period, €2 million related to impairment losses on property, plant and equipment in the Supply Chain segment.

6 Other operating expenses

€m	Q1 2016	Q1 2017
Cost of purchased cleaning and security services	88	94
Insurance costs	86	88
Travel and training costs	71	77
Expenses for advertising and public relations	75	76
Warranty expenses, refunds and compensation payments	71	72
Other business taxes	61	67
Telecommunication costs	57	56
Write-downs of current assets	46	47
Office supplies	38	42
Currency translation expenses	57	41
Entertainment and corporate hospitality expenses	30	36
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	26	35
Customs clearance-related charges	25	30
Consulting costs (including tax advice)	32	27
Contributions and fees	25	27
Voluntary social benefits	18	22
Expenses from derivatives	15	20
Commissions paid	16	16
Monetary transaction costs	11	14
Losses on disposal of assets	5	13
Legal costs	17	11
Audit costs	8	8
Expenses from prior-period billings	4	8
Donations	7	7
Miscellaneous	111	111
Total	**1,000**	**1,045**

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 €0.52 (previous year: €0.53).

Basic earnings per share

		Q1 2016	Q1 2017
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	639	633
Weighted average number of shares outstanding	number	1,211,185,094	1,208,360,392
Basic earnings per share	€	**0.53**	**0.52**

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

Diluted earnings per share

		Q1 2016	Q1 2017
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	639	633
Plus interest expense on the convertible bond	€m	1	0[1]
Less income taxes	€m	0[1]	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	640	633
Weighted average number of shares outstanding	number	1,211,185,094	1,208,360,392
Potentially dilutive shares	number	52,154,921	31,230,126
Weighted average number of shares for diluted earnings	number	1,263,340,015	1,239,590,518
Diluted earnings per share	€	**0.51**	**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 €334 million in the first quarter of 2017 (previous year: €411 million).

Investments

€m

	31 March 2016	31 March 2017
Intangible assets (not including goodwill)	33	34
Property, plant and equipment		
Land and buildings (including leasehold improvements)	17	18
Technical equipment and machinery	18	20
Transport equipment	32	31
Aircraft	19	16
IT equipment	14	22
Operating and office equipment	21	17
Advance payments and assets under development	257	176
	378	300
Total	411	334

Goodwill changed as follows in the reporting period:

Change in goodwill

€m

	2016	2017
Cost		
Balance at 1 January	12,704	12,791
Additions from business combinations	236	0
Disposals	−4	0
Currency translation differences	−145	1
Balance at 31 December/31 March	**12,791**	**12,792**
Impairment losses		
Balance at 1 January	1,159	1,133
Disposals	0	0
Currency translation differences	−26	0
Balance at 31 December/31 March	**1,133**	**1,133**
Carrying amount at 31 December/31 March	**11,658**	**11,659**

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

The assets held for sale of €6 million relate to a piece of real estate in the United Kingdom.

10 Issued capital and purchase of treasury shares

KfW Bankengruppe (KfW) held a 20.5% interest in the share capital of Deutsche Post AG as at 31 March 2017. The remaining 79.5% of the shares are in free float.

KfW holds the shares in trust for the Federal Republic of Germany (the federal government).

Changes in issued capital and treasury shares

€

	2016	2017
Issued capital		
Balance at 1 January	1,212,753,687	1,240,915,883
Addition due to contingent capital increase (convertible bond)	28,162,196	24,268
Capital reduction through retirement of treasury shares	0	−27,300,000
Balance at 31 December/31 March	**1,240,915,883**	**1,213,640,151**
Treasury shares		
At 1 January	−1,568,593	−29,587,229
Purchase of treasury shares	−30,896,650	−4,637,373
Capital reduction through retirement of treasury shares	0	27,300,000
Sale of treasury shares	48,106	0
Issuance of treasury shares	2,829,908	0
Balance at 31 December/31 March	**−29,587,229**	**−6,924,602**
Total at 31 December/31 March	**1,211,328,654**	**1,206,715,549**

The issued capital is composed of 1,213,640,151 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.

A contingent capital increase in January and March 2017 resulted from various bond holders exercising additional conversion rights.

Tranche III of the share buyback programme that had begun on 1 April 2016 ended on 6 March 2017. In the first quarter, 3.3 million shares were acquired for €106 million at an average price of €31.65. A total of 32.9 million shares were acquired for €911 million through the share buyback programme. By way of a resolution of the Board of Management dated 21 March 2017, 27.3 million treasury shares held were retired in the course of a capital reduction.

In March 2017, 1,297,200 shares were acquired for a total amount of €41 million (average price of €31.60 per share) in order to settle the 2016 tranche of the Share Matching Scheme. These shares will be issued to the executives concerned in April 2017.

Deutsche Post AG held 6,924,602 treasury shares as at 31 March 2017.

11 Capital reserves

€m	2016	2017
Capital reserves at 1 January	**2,385**	**2,932**
Share Matching Scheme Addition	53	41
Exercise	−54	0
Total for Share Matching Scheme	**−1**	**41**
Performance Share Plan Addition	17	5
Total for Performance Share Plan	**17**	**5**
Capital reduction through retirement of treasury shares	0	27
Capital increase through exercise of conversion rights under convertible bond	531	1
Capital reserves at 31 December/31 March	**2,932**	**3,006**

12 Retained earnings

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

€m	2016	2017
Retained earnings at 1 January	7,427	7,228
Dividend payment	−1,027	0
Consolidated net profit for the period	2,639	633
Change due to remeasurements of net pension provisions	−866	−64
Transactions with non-controlling interests	4	0
Capital reduction through retirement of treasury shares	0	−27
Miscellaneous other changes, of which	−949	52
Share Matching Scheme	21	−40
Share buyback under tranches I to III	−775	−103
Obligation to repurchase shares under tranche III/derecognition	−195	195
Retained earnings at 31 December/31 March	**7,228**	**7,822**

As at 31 December 2016, the obligation to repurchase shares as part of tranche III of the share buyback programme was recognised in the amount of €195 million for the buyback transactions yet to be carried out. By March 2017 the buyback transactions undertaken had decreased the obligation. The remaining obligation of €89 million was derecognised directly in equity when the share buyback programme ended.

SEGMENT REPORTING

13 Segment reporting

Segments by division

€m	PeP[1]		Express[1]		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1,2]		Group	
1 Jan. to 31 March	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
External revenue	4,233	4,509	3,099	3,504	3,152	3,358	3,367	3,490	22	22	–1	0	**13,872**	**14,883**
Internal revenue	39	36	82	91	175	188	26	33	284	250	–606	–598	**0**	**0**
Total revenue	4,272	4,545	3,181	3,595	3,327	3,546	3,393	3,523	306	272	–607	–598	**13,872**	**14,883**
Profit/loss from operating activities (EBIT)	414	425	355	396	51	40	127	99	–72	–74	–2	–1	**873**	**885**
of which net income/loss from investments accounted for using the equity method	0	0	0	0	0	0	1	1	0	0	0	0	**1**	**1**
Segment assets[3]	6,418	6,709	9,786	9,847	7,798	7,939	6,253	6,323	1,557	1,638	–79	–89	**31,733**	**32,367**
of which investments accounted for using the equity method	20	27	48	65	25	25	3	3	0	0	1	–1	**97**	**119**
Segment liabilities[3]	3,087	3,136	3,528	3,317	2,930	2,960	3,290	3,095	1,486	1,487	–59	–66	**14,262**	**13,929**
Net segment assets/liabilities	3,331	3,573	6,258	6,530	4,868	4,979	2,963	3,228	71	151	–20	–23	**17,471**	**18,438**
Capex	74	103	191	132	10	18	100	61	37	21	–1	–1	**411**	**334**
Depreciation and amortisation	78	88	104	118	20	17	72	75	51	50	–1	–1	**324**	**347**
Impairment losses	0	0	0	0	0	0	2	0	0	0	0	0	**2**	**0**
Total depreciation, amortisation and impairment losses	78	88	104	118	20	17	74	75	51	50	–1	–1	**326**	**347**
Other non-cash income (–) and expenses (+)	42	–8	48	70	15	18	84	59	15	65	0	1	**204**	**205**
Employees[4]	172,717	175,973	81,615	83,580	43,060	42,969	145,788	147,544	10,811	10,868	–1	0	**453,990**	**460,934**

[1] Prior-period amounts adjusted.
[2] Including rounding.
[3] As at 31 December 2016 and 31 March 2017.
[4] Average FTEs; prior-period amount covers financial year 2016.

Information about geographical areas

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 March	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
External revenue	4,480	4,574	4,134	4,435	2,398	2,675	2,304	2,609	556	590	**13,872**	**14,883**
Non-current assets[1]	5,498	5,391	7,328	7,316	4,279	4,267	3,562	3,578	377	376	**21,044**	**20,928**
Capex	164	155	123	53	82	90	36	27	6	9	**411**	**334**

[1] As at 31 December 2016 and 31 March 2017.

Adjustment of prior-period amounts

Adjustments were made to prior-period amounts by assigning companies to different segments. DHL Parcel Iberia S.L. (Spain), Danzas S.L. (Spain) and DHL Parcel Portugal (Portugal), which were formerly part of the Express segment, were reassigned to the Post - eCommerce - Parcel segment effective 1 January 2017.

Reconciliation

€m

	Q1 2016	Q1 2017
Total income of reportable segments	947	960
Corporate Center/Other	−72	−74
Reconciliation to Group/Consolidation	−2	−1
Profit from operating activities (EBIT)	**873**	**885**
Net finance costs	**−93**	**−93**
Profit before income taxes	**780**	**792**
Income taxes	−109	−119
Consolidated net profit for the period	**671**	**673**

OTHER DISCLOSURES

14 Cash flow statement

In the first quarter of 2017, 18 properties were contributed to Deutsche Post Pensions-Treuhand GmbH & Co. KG. Although income was recognised as a result of the contribution, no cash or cash equivalents were received. This transaction was therefore not included in the cash flow statement in accordance with IAS 7.43 and 7.44.

15 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. Each class is presented by the level in the fair value hierarchy to which it is assigned.

The simplification option under IFRS 7.29a was exercised for cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values. 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 2017				
Non-current financial assets	175	506	0	**681**
Current financial assets	0	50	0	**50**
Financial assets	**175**	**556**	**0**	**731**
Non-current financial liabilities	4,881	218	11	**5,110**
Current financial liabilities	754	85	4	**843**
Financial liabilities	**5,635**	**303**	**15**	**5,953**
31 December 2016				
Non-current financial assets	166	512	0	**678**
Current financial assets	200	94	0	**294**
Financial assets	**366**	**606**	**0**	**972**
Non-current financial liabilities	4,730	384	11	**5,125**
Current financial liabilities	781	94	4	**879**
Financial liabilities	**5,511**	**478**	**15**	**6,004**

[1] Quoted prices for identical instruments in active markets.
[2] Inputs other than quoted prices 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 in the market (exchange rates, interest rates and commodity prices) are imported from standard market information platforms into the treasury management system. The price quotations reflect actual transactions involving similar instruments in an active market. Any currency options used are measured using the Black-Scholes option pricing model. All significant inputs used to measure derivatives are observable in the market.

Level 3 mainly comprises the fair values of equity investments and derivatives associated with M & A transactions. They are measured using recognised valuation models that reflect plausible assumptions. The fair values of the derivatives depend largely on financial ratios. Financial ratios strongly influence the fair values of assets and liabilities. Increasing financial ratios lead to higher fair values, whilst decreasing financial ratios result in lower fair values.

No financial instruments have been transferred between levels in the current financial year.

The table below shows the effect on net gains and losses of the financial instruments categorised within Level 3 as at 31 March 2017:

Unobservable inputs (Level 3)

€m	2016			2017		
	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	83	0	0	0	15	0
Gains and losses (recognised in profit or loss)[1]	0	0	0	0	0	0
Gains and losses (recognised in OCI)[2]	0	0	0	0	0	0
Additions	0	15	0	0	0	0
Disposals	−80	0	0	0	0	0
Currency translation effects	−3	0	0	0	0	0
Balance at 31 December/31 March	**0**	**15**	**0**	**0**	**15**	**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 €12 million (31 December 2016: €11 million). There is no active market 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 classified as available-for-sale financial assets as at 31 March 2017 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.

16 Contingent liabilities and other financial obligations

The Group's contingent liabilities and other financial obligations have not changed significantly compared with 31 December 2016.

17 Related party disclosures

There were no significant changes in related party disclosures as against 31 December 2016.

18 Events after the reporting date/other disclosures

There were no reportable events after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group 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, 5 May 2017

Deutsche Post AG
The Board of Management

Dr Frank Appel

Ken Allen

Jürgen Gerdes

John Gilbert

Melanie Kreis

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 2017, 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, 5 May 2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Verena Heineke
Wirtschaftsprüfer	*Wirtschaftsprüferin*
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The English version of the Interim Report as at 31 March 2017 of Deutsche Post DHL Group constitutes a translation of the original German version. Only the German version is legally binding, insofar as this does not conflict with legal provisions in other countries. Deutsche Post Corporate Language Services et al.

FINANCIAL CALENDAR 2017/2018

8 August 2017
Interim Report as at 30 June 2017

9 November 2017
Interim Report as at 30 September 2017

8 March 2018
2017 Annual Report

24 April 2018
2018 Annual General Meeting

27 April 2018
Dividend payment

8 May 2018
Interim Report as at 31 March 2018

7 August 2018
Interim Report as at 30 June 2018

6 November 2018
Interim Report as at 30 September 2018

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

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