Deutsche Post DHL Group

Interim Report

as at 30 June 2016

KEY GROWTH TRENDS INTACT AND DELIVERING

PeP EBIT strongly up, driven mainly by Parcel growth and stamp price increase; international parcel network investments continue

page 7 f.

Express EBIT growth reflects continued strong TDI volume development and yield management, offsetting FX headwinds

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Global Forwarding with further operating improvements driven by turnaround measures; market growth remains subdued

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Supply Chain with further attractive new business wins; continued investments in its restructuring agenda

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Strong Q2 cash flow performance; net debt increase reflecting usual timing of dividend payment as well as pension funding

2016/20 EBIT guidance confirmed

STRONG H1 SETS THE STAGE FOR DELIVERY OF FULL-YEAR TARGETS

E-commerce megatrend continues to drive PeP and Express volume and revenue growth

Continued progress in operational and margin recovery at Global Forwarding

Good underlying free cash flow development; unchanged finance policy

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

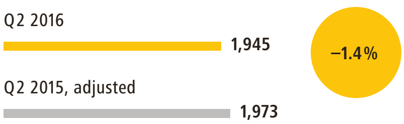
— Clear roadmap for margin and profit improvement

— Flexible balance sheet and improving cash generation underpin investments and payout policy

SELECTED KEY FIGURES

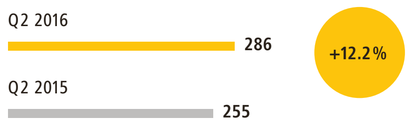
MAIL COMMUNICATION

Mail items (millions)



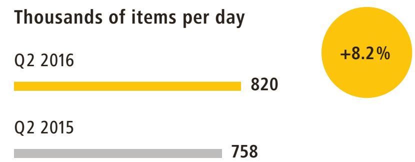
PARCEL GERMANY

Parcels (millions)



TIME DEFINITE INTERNATIONAL (TDI)

Thousands of items per day



REVENUE, Q2 2016

€14,190 million

(Q2 2015: €14,700 million)

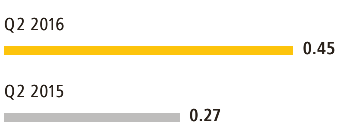
EBIT, Q2 2016

€752 million

Profit from operating activities.
(Q2 2015: €537 million)

EARNINGS PER SHARE

€



Basic earnings per share.

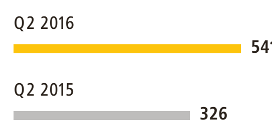
RETURN ON SALES, Q2 2016

5.3%

(Q2 2015: 3.7%)

CONSOLIDATED NET PROFIT FOR THE PERIOD

€m



After deduction of non-controlling interests.

		H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Revenue	€m	29,467	28,062	–4.8	14,700	14,190	–3.5
Profit from operating activities (EBIT)	€m	1,257	1,625	29.3	537	752	40.0
Return on sales[1]	%	4.3	5.8	–	3.7	5.3	–
EBIT after asset charge (EAC)	€m	480	856	78.3	148	366	>100
Consolidated net profit for the period[2]	€m	821	1,180	43.7	326	541	66.0
Free cash flow	€m	–310	–1,300	<–100	67	–600	<–100
Net debt[3]	€m	1,093	3,508	>100	–	–	–
Earnings per share[4]	€	0.68	0.98	44.1	0.27	0.45	66.7
Number of employees[5]		497,745	494,893	–0.6	–	–	–

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Prior-period amount as at 31 December, for the calculation page 6 of the Interim Group Management Report.
[4] Basic earnings per share.
[5] Headcount at the end of the first half, including trainees; prior-period amount as at 31 December.

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GENERAL INFORMATION

Organisation

No organisational changes were made in the second quarter of 2016 that would have a material impact on the Group's structure.

Tim Scharwath was appointed as the new member of the Group Board of Management for Global Forwarding, Freight in May 2016. He will have assumed office by June 2017.

At his own request, Lawrence Rosen will retire and resign as the member of the Group Board of Management responsible for Finance, Global Business Services, on 30 September 2016. Melanie Kreis has been appointed as his successor; she will retain her responsibility as the Board Member for Human Resources and as Group Labour Director until further notice.

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 in the first half of the year. In the industrial countries, growth slowed somewhat compared with the previous year. Although growth in the emerging economies was much stronger, the rate of growth was again only moderate.

In Asia, growth remained overall robust. However, the Chinese economy weakened further while the Japanese economy saw a slight recovery.

The weak US economy gradually began to revive in the second quarter, with private consumption remaining the main growth driver. At the same time, the negative impact of foreign trade on growth abated. The US Federal Reserve kept its key interest rate at between 0.25% and 0.50%.

In the euro zone, the moderate upswing was sustained overall with growth continuing to be driven by domestic demand. The inflation rate temporarily dipped into negative figures following a further decline in the oil price. The European Central Bank reduced its key interest rate to 0.00% and substantially expanded its government bond-buying programme.

The German economy again saw solid growth, with domestic demand providing most of the momentum. In the second quarter, the ifo German Business Climate Index made up the decline it experienced at the start of the year.

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 General Partner Ltd.

On 1 April, the Group placed two bonds with a total volume of €1.25 billion on the capital market. Of the capital raised, €1 billion was used for the further funding of pension obligations.

Pension provisions declined in the first half of 2016 despite decreasing discount rates, which was largely the result of the further funding of pension obligations in the amount of €1 billion. A measurement-related reversal had already been recognised in the first quarter due to changes in the occupational retirement arrangement in Germany. This was offset by a number of other human resources measures, including the early retirement scheme for civil servants, with the result that, overall, there was no effect on earnings.

Results of operations

Selected indicators for results of operations

		H1 2015	H1 2016	Q2 2015	Q2 2016
Revenue	€m	29,467	28,062	14,700	14,190
Profit from operating activities (EBIT)	€m	1,257	1,625	537	752
Return on sales[1]	%	4.3	5.8	3.7	5.3
EBIT after asset charge (EAC)	€m	480	856	148	366
Consolidated net profit for the period[2]	€m	821	1,180	326	541
Earnings per share[3]	€	0.68	0.98	0.27	0.45

[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 falls to €28.1 billion

Consolidated revenue in the first half of 2016 fell by €1,405 million to €28,062 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 reduced revenue by €945 million. In addition, negative currency effects led to a drop of €834 million. The proportion of revenue generated abroad declined from 71.2% to 68.7%. Revenue for the second quarter of 2016 was down by 3.5% year-on-year to €14,190 million.

Other operating income dropped by €203 million to €978 million. The prior-year figure included income from the sale of equity interests in Sinotrans and King's Cross; the figure for the reporting period includes a gain of €63 million on the disposal of the remaining shares in King's Cross.

Materials expense markedly lower

Materials expense showed a marked fall of €1,839 million to €14,808 million. The cost of goods purchased and held for resale dropped considerably as a result of the revised NHS contract. This item was also reduced by lower transportation and fuel costs as well as currency effects. Mainly positive currency effects reduced other operating expenses from €2,214 million to €2,125 million.

Changes in revenue, other operating income and operating expenses, H1 2016

	€m	+/– %	
Revenue	28,062	–4.8	• Currency effects lead to a sharp fall of €834 million • Decrease due to revised NHS contract
Other operating income	978	–17.2	• Prior-year figure included higher income from the sale of equity interests
Materials expense	14,808	–11.0	• Substantial €936 million drop in cost of goods purchased and held for resale due to revised NHS contract • Lower transportation and fuel costs • Positive currency effects
Staff costs	9,830	–0.6	• Slight decline due to currency effects
Depreciation, amortisation and impairment losses	653	1.2	• Up slightly on prior-year level, due mainly to investments in the Express aircraft fleet
Other operating expenses	2,125	–4.0	• Lower mainly due to positive currency effects

Consolidated EBIT up 29.3%

At €1,625 million, profit from operating activities (EBIT) in the first half of 2016 was up 29.3% on the previous year (€1,257 million). In the second quarter, EBIT rose 40.0% above the prior-year figure to €752 million. Net finance costs, on the other hand, widened slightly, from €–165 million to €–171 million in the reporting period. Profit before income taxes climbed by €362 million to €1,454 million. Although the tax rate was lower, income taxes likewise rose by €23 million to €203 million.

Sharp improvement in consolidated net profit

Consolidated net profit for the period showed a sharp improvement, rising from €912 million to €1,251 million in the first half of the year. Of this amount, €1,180 million is attributable to shareholders of Deutsche Post AG and €71 million to non-controlling interest holders. Basic earnings per share improved from €0.68 to €0.98 and diluted earnings per share from €0.65 to €0.94.

Improvement in EBIT after asset charge

In the first half of 2016, EBIT after asset charge (EAC) climbed from €480 million to €856 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 and lower provisions being offset by a decline in net working capital.

EBIT after asset charge (EAC)

€m

	H1 2015	H1 2016	+/– %
EBIT	1,257	1,625	29.3
– Asset charge	–777	–769	1.0
= **EAC**	**480**	**856**	**78.3**

Financial position

Selected cash flow indicators

€m

	H1 2015	H1 2016	Q2 2015	Q2 2016
Cash and cash equivalents as at 30 June	1,813	2,072	1,813	2,072
Change in cash and cash equivalents	–1,209	–1,462	–782	–669
Net cash from/used in operating activities	345	–373	266	–161
Net cash used in/from investing activities	–472	–870	29	–403
Net cash used in financing activities	–1,082	–219	–1,077	–105

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 half of 2016, as a result of the increase in debt. Reported financial liabilities rose due to the issue of two bonds in April. The capital raised is largely being used for the further funding of pension obligations. The total of surplus cash and near-cash investments declined, mainly as a result of the annual pension-related prepayment to the *Bundesanstalt für Post und Telekommunikation* and the dividend paid for financial year 2015. Funds from operations rose as the funding of pension obligations led to an increase in the adjustment for pensions. The amount of interest paid increased, mainly as a result of 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 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. On 30 June 2016, the Group had cash and cash equivalents of €2.1 billion.

FFO to debt

€m	1 Jan. to 31 Dec. 2015 adjusted[1]	1 July 2015 to 30 June 2016
Operating cash flow before changes in working capital	2,656	2,232
+ Interest received	47	49
– Interest paid	76	144
+ Adjustment for operating leases	1,413	1,476
+ Adjustment for pensions	239	949
= Funds from operations (FFO)	**4,279**	**4,562**
Reported financial liabilities[2]	5,178	6,439
– Financial liabilities at fair value through profit or loss[2]	125	180
+ Adjustment for operating leases[2]	6,394	6,713
+ Adjustment for pensions[2]	6,103	6,124
– Surplus cash and near-cash investments[2,3]	2,641	1,022
= Debt	**14,909**	**18,074**
FFO to debt (%)	**28.7**	**25.2**

[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 2015/30 June 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, H1

	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)	191	187	229	396	74	22	136	184	64	77	1	1	**695**	**867**
Depreciation, amortisation and impairment losses (€m)	154	156	185	208	44	40	149	147	114	101	–1	1	**645**	**653**
Ratio of capex to depreciation, amortisation and impairment losses	1.24	1.20	1.24	1.90	1.68	0.55	0.91	1.25	0.56	0.76	–	–	**1.08**	**1.33**

[1] Including rounding.

Capex and depreciation, amortisation and impairment losses, Q2

	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)	127	113	154	205	34	12	63	84	42	40	1	2	**421**	**456**
Depreciation, amortisation and impairment losses (€m)	78	79	94	104	21	20	76	73	57	50	0	1	**326**	**327**
Ratio of capex to depreciation, amortisation and impairment losses	1.63	1.43	1.64	1.97	1.62	0.60	0.83	1.15	0.74	0.80	–	–	**1.29**	**1.39**

[1] Including rounding.

Capital expenditure above prior-year level

Investments in property, plant and equipment and intangible assets (not including goodwill) amounted to €867 million in the first half of 2016 (previous year: €695 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. We also modernised and refurbished warehouses and office buildings across all regions.

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 increased due to higher expenses for the vehicle fleet.

Funding of pension obligations impacts operating cash flow

Net cash used in operating activities in the first half of 2016 amounted to €373 million, compared with net cash from operating activities of €345 million in the previous year. The income from the sale of equity interests contained in the EBIT figure has been eliminated in net cash used in operating activities and is instead reported in cash flow from investing activities. In the previous year, this comprised €228 million mainly from the sale of equity interests in Sinotrans and King's Cross; in the reporting period, it comprised €63 million from the sale of the remaining shares in King's Cross. The cash outflow from changes in working capital rose by €294 million to €1,021 million, due in particular to the reduction in liabilities and other items. The change in provisions widened from €–358 million to €–1,351 million, mainly because we funded pension obligations in the amount of €1 billion. Excluding this, net cash from operating activities in the amount of €627 million would have been generated, clearly surpassing the prior-year figure. In the previous year, higher divestitures and the sale of money market funds reduced net cash used in investing activities, which then amounted to €472 million; in the reporting period, net cash used in investing activities totalled €870 million.

Calculation of free cash flow

€m

	H1 2015	H1 2016	Q2 2015	Q2 2016
Net cash from/used in operating activities	**345**	**–373**	**266**	**–161**
Sale of property, plant and equipment and intangible assets	64	60	25	27
Acquisition of property, plant and equipment and intangible assets	–972	–1,016	–407	–439
Cash outflow arising from change in property, plant and equipment and intangible assets	**–908**	**–956**	**–382**	**–412**
Disposals of subsidiaries and other business units	–2	0	–2	0
Disposals of investments accounted for using the equity method and other investments	221	80	221	0
Acquisition of investments accounted for using the equity method and other investments	0	–19	0	0
Cash inflow arising from acquisitions/divestitures	**219**	**61**	**219**	**0**
Interest received	22	24	10	13
Interest paid	12	–56	–46	–40
Net interest paid	**34**	**–32**	**–36**	**–27**
Free cash flow	**–310**	**–1,300**	**67**	**–600**

Free cash flow decreased significantly, from €–310 million to €–1,300 million, due primarily to net cash used in operating activities in the amount of €373 million. By contrast, net cash from operating activities of €345 million was 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 lifted the figure. Excluding the funding of pension obligations, free cash flow was €–300 million, slightly above the prior-year figure.

At €219 million, net cash used in financing activities was €863 million lower than in the previous year (€1,082 million). Through the bond placement in April, we issued non-current financial liabilities, raising capital in the amount of €1.239 billion. Net cash used to purchase treasury shares rose from €31 million to €221 million. In addition, in the previous year, we unwound interest rate swaps on outstanding bonds, which led to a cash inflow. At €1,027 million, the dividend paid to our shareholders was the largest payment item.

Cash and cash equivalents declined from €3,608 million on 31 December 2015 to €2,072 million on 30 June 2016.

Net assets

Selected indicators for net assets

		31 Dec. 2015	30 June 2016
Equity ratio	%	29.8	26.0
Net debt	€m	1,093	3,508
Net interest cover[1]		–37.0	50.8
Net gearing	%	8.8	27.0
FFO to debt[2]	%	28.7	25.2

[1] In the first half of the year.
[2] For the calculation Financial position, page 4.

Decline in consolidated total assets

The Group's total assets amounted to €36,353 million on 30 June 2016, €1,517 million lower than on 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 €12,242 million. In addition, trade receivables declined by €199 million to €7,495 million. Conversely, other current assets climbed by €511 million to €2,683 million: this includes the accrual of the prepaid annual contribution to the *Bundesanstalt für Post und Telekommunikation* in the amount of €250 million. The €378 million paid in connection with the state aid proceedings, Note 17 to the consolidated financial statements, was reclassified from non-current to current financial assets. The €1,536 million decrease in cash and cash equivalents to €2,072 million was the key reason for the reduction in total assets. For further details, please refer to the Financial position, page 5 f.

On the equity and liabilities side of the balance sheet, equity attributable to Deutsche Post AG shareholders declined by €1,884 million to €9,150 million. While consolidated net profit for the period increased equity, it was mainly the actuarial losses on pension obligations, the dividend payment and negative currency effects that reduced the figure. Trade payables fell considerably from €7,069 million to €6,075 million. Provisions for pensions and similar obligations dropped slightly, from €6,221 million to €6,126 million; actuarial losses increased these provisions, while the partial funding of pension obligations in particular reduced them. Financial liabilities rose from €5,178 million to €6,439 million due to the bond placement in April.

Net debt increases to €3,508 million

Our net debt rose from €1,093 million on 31 December 2015 to €3,508 million on 30 June 2016, in part because we disbursed the dividend of €1,027 million for financial year 2015 and pay the regular annual contribution of €517 million to the *Bundesanstalt für Post und Telekommunikation* in the first half of the year. In addition, we issued bonds in a total principal amount of €1.25 billion. At 26.0%, 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 –37.0 to 50.8. Net gearing was 27.0% on 30 June 2016.

Net debt

€m

	31 Dec. 2015	30 June 2016
Non-current financial liabilities	4,578	5,041
+ Current financial liabilities	440	1,253
= **Financial liabilities**	**5,018**	**6,294**
– Cash and cash equivalents	3,608	2,072
– Current financial assets	179	571
– Positive fair value of non-current financial derivatives[1]	138	143
= **Financial assets**	**3,925**	**2,786**
Net debt	**1,093**	**3,508**

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

Business performance in the divisions

POST - ECOMMERCE - PARCEL DIVISION

€m	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Revenue	7,813	8,201	5.0	3,712	4,000	7.8
of which Post	4,816	4,864	1.0	2,252	2,332	3.6
eCommerce - Parcel	2,997	3,337	11.3	1,460	1,668	14.2
Profit from operating activities (EBIT)	474	659	39.0	75	247	>100
of which Germany	463	658	42.1	70	248	>100
International Parcel and eCommerce	11	1	–90.9	5	–1	<–100
Return on sales (%)[1]	6.1	8.0	–	2.0	6.2	–
Operating cash flow	354	–521	<–100	169	–601	<–100

[1] EBIT/revenue.

Revenue exceeds prior-year figure

In the first half of 2016, with 2.0 additional working days in Germany, revenue in the division was €8,201 million, 5.0% above the prior-year figure of €7,813 million. Most of the growth again originated in the eCommerce - Parcel business unit. Excluding negative currency effects of €24 million, revenue growth was 5.3%.

Increased revenue in the Post business unit

Revenue in the Post business unit increased in the first half of 2016 by 1.0% to €4,864 million (previous year: €4,816 million), despite a decline in volume of 2.8%.

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. 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.

First-half revenue in the Dialogue Marketing business was on par with the previous year. Volumes fell by 2.0%, especially in unaddressed advertising mail.

Post: revenue

€m	H1 2015 adjusted[1]	H1 2016	+/– %	Q2 2015 adjusted[1]	Q2 2016	+/– %
Mail Communication	3,242	3,301	1.8	1,518	1,577	3.9
Dialogue Marketing	1,053	1,055	0.2	503	508	1.0
Other	521	508	–2.5	231	247	6.9
Total	**4,816**	**4,864**	**1.0**	**2,252**	**2,332**	**3.6**

[1] Adjusted due to changed product allocations.

Post: volumes

Mail items (millions)	H1 2015 adjusted[1]	H1 2016	+/– %	Q2 2015 adjusted[1]	Q2 2016	+/– %
Total	9,546	9,277	–2.8	4,470	4,394	–1.7
of which Mail Communication	4,334	4,170	–3.8	1,973	1,945	–1.4
of which Dialogue Marketing	4,251	4,165	–2.0	2,011	1,972	–1.9

[1] Adjusted due to changed product allocations.

eCommerce - Parcel business unit continues to grow

In the first half of 2016, revenue in the business unit was €3,337 million, exceeding the prior-year figure of €2,997 million by 11.3 %. The gain in the second-quarter was even 14.2 %.

Parcel Germany's revenue increased by 10.9 % to €2,276 million (previous year: €2,052 million). Volumes rose by 8.7 %, to 574 million parcels in the reporting period.

In the Parcel Europe business revenue grew by 16.0 % to €406 million (previous year: €350 million). Expansion of the network for cross-border e-commerce continues; collaboration has allowed us to offer a B2C parcel delivery infrastructure in Scandinavia, Finland and the Baltic states. We are already present in 16 European countries.

In the DHL eCommerce business, revenue was €655 million in the first half of the year, exceeding the prior-year figure by 10.1 %. Excluding currency effects, growth amounted to 12.9 % and continues to be driven by the US domestic business and cross-border business in Asia.

eCommerce - Parcel: revenue

€m	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Parcel Germany	2,052	2,276	10.9	990	1,141	15.3
Parcel Europe[1]	350	406	16.0	177	209	18.1
DHL eCommerce[2]	595	655	10.1	293	318	8.5
Total	**2,997**	**3,337**	**11.3**	**1,460**	**1,668**	**14.2**

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

Parcel Germany: volumes

Parcels (millions)	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Total	528	574	8.7	255	286	12.2

EBIT substantially exceeds prior-year figure

EBIT in the division improved by 39.0 % to €659 million (previous year: €474 million) in the first half of 2016. Higher revenue and strict cost management contributed to this EBIT performance. In addition, the effects of the strike in Germany had a negative impact on the prior-year figure, and resulted in an adjustment of our earnings forecast by €100 million in the previous year. The majority of our EBIT is 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 8.0 % in the first half of 2016 (previous year: 6.1 %). Second-quarter EBIT was €247 million (previous year: €75 million).

Operating cash flow decreased from €354 million to €–521 million, mainly as a result of a payment of €955 million made to increase pension assets. Working capital decreased to €–263 million, down on the prior-year figure of €–186 million.

EXPRESS DIVISION

€m	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Revenue	6,695	6,774	1.2	3,455	3,523	2.0
of which Europe	2,938	3,078	4.8	1,511	1,601	6.0
Americas	1,233	1,313	6.5	643	683	6.2
Asia Pacific	2,450	2,495	1.8	1,273	1,308	2.7
MEA (Middle East and Africa)	522	530	1.5	268	269	0.4
Consolidation/Other	–448	–642	–43.3	–240	–338	–40.8
Profit from operating activities (EBIT)	708	777	9.7	376	420	11.7
Return on sales (%)[1]	10.6	11.5	–	10.9	11.9	–
Operating cash flow	596	634	6.4	262	400	52.7

[1] EBIT/revenue.

Operating business continues to perform well

Revenue in the division increased by 1.2% to €6,774 million in the first half of 2016 (previous year: €6,695 million). As a significant portion of our business activities take place outside the euro zone, we recorded negative currency effects of €277 million. Excluding these effects, revenue growth was 5.3%. 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 6.6% excluding the negative effects resulting from both foreign currency losses and lower fuel surcharges.

In the Time Definite International (TDI) product line, revenues per day increased by 4.7% and per-day shipment volumes by 8.0% in the first half of the year. Revenues per day for the second quarter were up by 4.3% and per-day shipment volumes by 8.2%.

In the Time Definite Domestic (TDD) product line, revenues per day improved by 10.5% and per-day shipment volumes by 9.9% in the first half of the year. Growth in the second quarter of 2016 amounted to 10.3% for revenues per day and 9.0% for per-day volumes.

EXPRESS: revenue by product

€m per day[1]	H1 2015 adjusted	H1 2016	+/– %	Q2 2015 adjusted	Q2 2016	+/– %
Time Definite International (TDI)	40.3	42.2	4.7	42.0	43.8	4.3
Time Definite Domestic (TDD)	3.8	4.2	10.5	3.9	4.3	10.3

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

EXPRESS: volumes by product

Thousands of items per day[1]	H1 2015 adjusted	H1 2016	+/– %	Q2 2015 adjusted	Q2 2016	+/– %
Time Definite International (TDI)	733	792	8.0	758	820	8.2
Time Definite Domestic (TDD)	384	422	9.9	389	424	9.0

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

Stable growth in the Europe region

Revenue in the Europe region improved by 4.8% in the first half of 2016 to €3,078 million (previous year: €2,938 million). This included negative currency effects of €81 million, which related mainly to the UK and Russia. Excluding these effects, revenue growth was 7.5%. TDI revenues per day rose by 5.0% and per-day TDI shipment volumes by 9.2% in the first half of the year. International per-day shipment revenues were up by 4.3% and per-day shipment volumes by 8.9% in the second quarter.

Improved revenues and volumes in the Americas region

Revenue in the Americas region grew by 6.5% to €1,313 million in the first six months of 2016 (previous year: €1,233 million). This figure includes negative currency effects of €90 million, which resulted primarily from Mexico and South America. Excluding these effects, revenue growth was 13.8% compared with the previous year. In the TDI area, we increased revenues per day by 8.4% in the first half of the year and per-day volumes by 9.0%. Revenues per day for the second quarter of 2016 rose by 6.9%, while per-day volumes increased by 9.0%.

Volumes in the Asia Pacific region continue to rise

Revenue in the Asia Pacific region rose by 1.8% to €2,495 million in the first half (previous year: €2,450 million). This included negative currency effects of €82 million that related primarily to China as well as other countries in the region. Excluding these effects, the revenue increase was 5.2% for the first half of the year. Revenues per day in the TDI area improved by 2.9%, due primarily to the 7.0% increase in per-day shipment volumes. Growth in the second quarter of 2016 amounted to 3.2% for revenues per day and 6.9% for per-day volumes.

Growth recorded in the MEA region

Revenue in the MEA region (Middle East and Africa) was up by 1.5% to €530 million (previous year: €522 million) in the first six months of 2016. This included negative currency effects of €25 million, which resulted mainly from South Africa as well as other countries in the region. Excluding these effects, revenue for the first half increased by 6.3%. In the TDI area, revenues per day were up by 5.4% and per-day volumes by 5.0%. Growth in the second quarter of 2016 amounted to 4.6% for revenues per day and 6.6% for per-day volumes.

Major improvement in EBIT

EBIT for the division rose by 9.7% to €777 million in the first half of 2016 (previous year: €708 million). Network improvement, strong international business growth and pricing initiatives all contributed to an expanded EBIT margin and increased profitability. Return on sales for the first half rose from 10.6% to 11.5%. EBIT for the second quarter grew by 11.7% to €420 million and return on sales increased from 10.9% to 11.9%. Operating cash flow rose by 6.4% to €634 million in the first half of the year (previous year: €596 million).

GLOBAL FORWARDING, FREIGHT DIVISION

€m	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Revenue	7,567	6,752	–10.8	3,778	3,425	–9.3
of which Global Forwarding	5,554	4,684	–15.7	2,763	2,359	–14.6
Freight	2,096	2,151	2.6	1,057	1,107	4.7
Consolidation/Other	–83	–83	0.0	–42	–41	2.4
Profit from operating activities (EBIT)	57	120	>100	40	69	72.5
Return on sales (%)[1]	0.8	1.8	–	1.1	2.0	–
Operating cash flow	–35	–64	–82.9	125	102	–18.4

[1] EBIT/revenue.

Revenues remain under pressure

Impacted by negative currency effects, lower fuel surcharges and the generally low level of air and ocean freight rates, division revenue decreased by 10.8% to €6,752 million in the first half of 2016 (previous year: €7,567 million). Excluding currency effects of €–216 million, revenue was down year-on-year by 7.9%. In the Global Forwarding business unit, first-half revenue declined by 15.7% to €4,684 million (previous year: €5,554 million). Excluding currency effects of €–203 million, the decline was 12.0%. However, gross profit remained at the prior-year level at €1,203 million (previous year: €1,208 million).

Air and ocean freight revenues down again

Revenues in air and ocean freight decreased again year-on-year. Ocean freight volumes rose and air freight volumes declined.

Air freight volumes fell by 7.7% in the first half of the year. The market was declining overall, especially in the Technology sector. We had also implemented measures in the previous year which included withdrawing from selected business activities with insufficient margins. We have secured additional new business during the first half of the year, which will be implemented as the year progresses and that should have a positive impact on volume growth. Air freight prices remain under pressure due to large surplus capacities and low fuel costs, which reduced our revenue by 17.3% and gross profit by 4.5% in the first half of 2016. Revenue for the second quarter decreased by 16.2% and volumes fell by 4.7%.

Ocean freight volumes were up by 2.8% in the first half of the year, driven mainly by growth on the trade lanes between Asia and Europe, in intra-Asia volumes and the trans-Pacific market. Freight rates on our major routes continued to be volatile and remained at a low level, although the initial signs of an increase are evident thanks to artificially reduced capacities. Our ocean freight revenue fell by 13.6% in the first half of the year while gross profit rose by 16.8%. In the second quarter, ocean freight revenue declined by 13.6% and volumes increased 3.1% year-on-year.

The performance of our industrial project business (shown 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 for new projects, particularly in the Oil & Energy sector. The share of revenue related to industrial project business and reported under Other was 20.6% and therefore reduced compared with the previous year (29.2%); gross profit declined by 30.0% compared with the first half of the previous year.

Global Forwarding: revenue

€m

	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Air freight	2,565	2,122	–17.3	1,275	1,069	–16.2
Ocean freight	1,881	1,625	–13.6	941	813	–13.6
Other	1,108	937	–15.4	547	477	–12.8
Total	**5,554**	**4,684**	**–15.7**	**2,763**	**2,359**	**–14.6**

Global Forwarding: volumes

Thousands

		H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Air freight	tonnes	1,868	1,725	–7.7	933	889	–4.7
of which exports	tonnes	1,052	983	–6.6	530	507	–4.3
Ocean freight	TEUS[1]	1,454	1,495	2.8	750	773	3.1

[1] Twenty-foot equivalent units.

Revenue in European overland transport business above prior-year level

In the Freight business unit, revenue rose by 2.6% to €2,151 million in the first half of 2016 (previous year: €2,096 million) despite negative currency effects of €15 million. Transport volumes increased by 9.8%, driven mainly by e-commerce-related business in Sweden and less-than-truckload business in Germany. Business restrictions with some members of the CIS region continued to adversely affect our performance. Gross profit rose to €559 million, thus surpassing the prior-year figure of €548 million.

Significant EBIT improvement

EBIT in the division improved significantly in the first half of 2016, rising from €57 million to €120 million. The turnaround measures and cost controls are increasingly evident, which has also improved gross profit margins. Return on sales rose to 1.8% (previous year: 0.8%). EBIT for the second quarter increased from €40 million to €69 million and return on sales rose to 2.0% (previous year: 1.1%).

Net working capital declined in the reporting period thanks to improved receivables management. Operating cash flow amounted to €–64 million (previous year: €–35 million).

SUPPLY CHAIN DIVISION

€m	H1 2015	H1 2016	+/– %	Q2 2015	Q2 2016	+/– %
Revenue	7,987	6,934	–13.2	4,045	3,541	–12.5
of which EMEA (Europe, Middle East and Africa)	4,855	3,714	–23.5	2,459	1,869	–24.0
Americas	2,137	2,195	2.7	1,091	1,146	5.0
Asia Pacific	1,017	1,042	2.5	507	534	5.3
Consolidation/Other	–22	–17	22.7	–12	–8	33.3
Profit from operating activities (EBIT)	172	229	33.1	119	102	–14.3
Return on sales (%)[1]	2.2	3.3	–	2.9	2.9	–
Operating cash flow	–146	14	>100	–34	155	>100

[1] EBIT/revenue.

Revenue declined from loss of NHS revenue and currency effects

Revenue in the division decreased by 13.2% to €6,934 million in the first half of 2016 (previous year: €7,987 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 €325 million. Excluding these effects, revenue growth was 2.7%. Compared with the previous year, the Automotive sector achieved the highest revenue growth. Revenue for the second quarter declined by 12.5%, from €4,045 million to €3,541 million, likewise impacted by the aforementioned effects.

In the EMEA region, revenue increased in the Automotive sector in the first half of the year, driven by both higher volumes and new business. By contrast, revenue in the Life Sciences & Healthcare sector declined, reflecting the change in 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, overall revenue increased, due primarily to growth from new and additional business, mainly in Japan, Hong Kong, Indonesia and Vietnam. Revenue increased in Japan in the Retail sector and in Hong Kong in the Technology sector. Revenue growth in Indonesia and Vietnam came primarily from the Consumer and Technology sectors. This growth was partly offset by lower volumes in Australia and negative currency effects across the region.

SUPPLY CHAIN: revenue by sector and region, H1 2016

Total revenue: €6,934 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	53%
Americas	32%
Asia Pacific	15%

New business worth around €572 million secured

In the first half of 2016, the division concluded additional contracts worth around €572 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.

Positive effects from strategic initiatives stimulate EBIT growth

EBIT in the division was €229 million in the first half of 2016 (previous year: €172 million). The strong EBIT growth was due mainly to positive effects from strategic initiatives. Return on sales rose to 3.3% (previous year: 2.2%). EBIT was €102 million in the second quarter of 2016 (previous year: €119 million). The lower EBIT predominantly reflects the gain on the disposal of shares in King's Cross in the second quarter of 2015. Operating cash flow increased to €14 million in the first half of the year (previous year: €–146 million) due principally to an improvement in net working capital levels.

POST-BALANCE-SHEET DATE EVENTS

On 14 July 2016, the General Court of the European Union set aside the European Commission's state aid decision dated 25 January 2012. The effects on our risk exposure are described in the following chapter.

OPPORTUNITIES AND RISKS

The Group's overall opportunity and risk situation did not change significantly during the first six 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.

EU court sets aside European Commission's state aid decision

In a judgement dated 14 July 2016, the General Court of the European Union (EGC) set aside the European Commission's decision dated 25 January 2012 in an action brought by the Federal Republic of Germany. In its state aid decision, the European Commission had argued that the financing of civil servant pensions in part constituted unlawful state aid that had to be repaid to the federal government. We have described this in detail in the 2015 Annual Report in Notes 49 and 51 to the consolidated financial statements. In their actions, Deutsche Post AG and the federal government asserted that the state aid decision was unlawful. The EGC has now followed this argument in the action brought by the federal government. The action brought by Deutsche Post AG is still pending. As a result of the EGC's judgement, there are now no longer any grounds for the obligation to repay the alleged state aid under the state aid decision. The European Commission has the right to appeal this judgement at the European Court of Justice.

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 half. The International Monetary Fund (IMF) now expects global economic output to grow by 3.1% and global trade by 2.7% in 2016. The downward correction of the growth forecast takes account of the expected negative impact of the vote by the UK electorate to leave the European Union.

In China, gross domestic product (GDP) is likely to grow more slowly than in the previous year (IMF: 6.6%) whereas GDP growth is expected to remain quite moderate in Japan (IMF: 0.3%; IHS: 0.5%).

In the United States, full-year GDP growth is expected to be slower than in the previous year (IMF: 2.2%; IHS: 1.9%).

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

In Germany, early indicators suggest that the underlying growth momentum will not change significantly from the first half of the year. Domestic demand is expected to provide strong momentum. By contrast, exports are likely to only increase moderately as the positive effects of the weak euro dissipate. GDP growth of slightly below prior-year levels is expected for 2016 as a whole (IMF: 1.6%; *Sachverständigenrat* 1.5%; IHS: 1.6%).

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.

Development of 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 made in May 2016, provided the further funding of pension obligations of €1 billion is excluded from this measurement.

INCOME STATEMENT

1 January to 30 June

€m	H1 2015	H1 2016	Q2 2015	Q2 2016
Revenue	29,467	28,062	14,700	14,190
Other operating income	1,181	978	592	430
Total operating income	30,648	29,040	15,292	14,620
Materials expense	–16,647	–14,808	–8,326	–7,507
Staff costs	–9,886	–9,830	–4,972	–4,909
Depreciation, amortisation and impairment losses	–645	–653	–326	–327
Other operating expenses	–2,214	–2,125	–1,132	–1,125
Total operating expenses	–29,392	–27,416	–14,756	–13,868
Net income from investments accounted for using the equity method	1	1	1	0
Profit from operating activities (EBIT)	**1,257**	**1,625**	**537**	**752**
Financial income	45	45	19	17
Finance costs	–196	–184	–103	–87
Foreign currency result	–14	–32	–17	–8
Net finance costs	**–165**	**–171**	**–101**	**–78**
Profit before income taxes	**1,092**	**1,454**	**436**	**674**
Income taxes	–180	–203	–65	–94
Consolidated net profit for the period	**912**	**1,251**	**371**	**580**
attributable to Deutsche Post AG shareholders	821	1,180	326	541
attributable to non-controlling interests	91	71	45	39
Basic earnings per share (€)	**0.68**	**0.98**	**0.27**	**0.45**
Diluted earnings per share (€)	**0.65**	**0.94**	**0.26**	**0.43**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 30 June

€m	H1 2015	H1 2016	Q2 2015	Q2 2016
Consolidated net profit for the period	**912**	**1,251**	**371**	**580**
Items that will not be reclassified to profit or loss				
Change due to remeasurements of net pension provisions	1,024	–1,490	2,550	–513
Other changes in retained earnings	0	0	0	0
Income taxes relating to components of other comprehensive income	–55	49	–97	17
Share of other comprehensive income of investments accounted for using the equity method (after tax)	0	0	0	0
Total (after tax)	**969**	**–1,441**	**2,453**	**–496**
Items that may be subsequently reclassified to profit or loss				
IAS 39 revaluation reserve				
Changes from unrealised gains and losses	61	–7	28	0
Changes from realised gains and losses	–172	–63	–172	0
IAS 39 hedging reserve				
Changes from unrealised gains and losses	–122	21	43	–21
Changes from realised gains and losses	63	12	35	4
Currency translation reserve				
Changes from unrealised gains and losses	602	–394	–230	47
Changes from realised gains and losses	0	0	0	0
Income taxes relating to components of other comprehensive income	25	3	–8	5
Share of other comprehensive income of investments accounted for using the equity method (after tax)	2	1	1	1
Total (after tax)	**459**	**–427**	**–303**	**36**
Other comprehensive income (after tax)	**1,428**	**–1,868**	**2,150**	**–460**
Total comprehensive income	**2,340**	**–617**	**2,521**	**120**
attributable to Deutsche Post AG shareholders	2,239	–678	2,494	81
attributable to non-controlling interests	101	61	27	39

BALANCE SHEET

€m	31 Dec. 2015	30 June 2016
ASSETS		
Intangible assets	12,490	12,242
Property, plant and equipment	7,795	7,898
Investment property	25	20
Investments accounted for using the equity method	76	95
Non-current financial assets	1,113	665
Other non-current assets	221	107
Deferred tax assets	2,007	2,024
Non-current assets	**23,727**	**23,051**
Inventories	281	261
Current financial assets	179	571
Trade receivables	7,694	7,495
Other current assets	2,172	2,683
Income tax assets	197	204
Cash and cash equivalents	3,608	2,072
Assets held for sale	12	16
Current assets	**14,143**	**13,302**
Total ASSETS	**37,870**	**36,353**
EQUITY AND LIABILITIES		
Issued capital	1,211	1,205
Capital reserves	2,385	2,374
Other reserves	11	–406
Retained earnings	7,427	5,977
Equity attributable to Deutsche Post AG shareholders	11,034	9,150
Non-controlling interests	261	318
Equity	**11,295**	**9,468**
Provisions for pensions and similar obligations	6,221	6,126
Deferred tax liabilities	142	79
Other non-current provisions	1,512	1,598
Non-current provisions	7,875	7,803
Non-current financial liabilities	4,625	5,089
Other non-current liabilities	234	258
Non-current liabilities	4,859	5,347
Non-current provisions and liabilities	**12,734**	**13,150**
Current provisions	1,486	1,526
Current financial liabilities	553	1,350
Trade payables	7,069	6,075
Other current liabilities	4,255	4,289
Income tax liabilities	476	494
Liabilities associated with assets held for sale	2	1
Current liabilities	12,355	12,209
Current provisions and liabilities	**13,841**	**13,735**
Total EQUITY AND LIABILITIES	**37,870**	**36,353**

CASH FLOW STATEMENT

1 January to 30 June

€m	H1 2015	H1 2016	Q2 2015	Q2 2016
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	821	1,180	326	541
Consolidated net profit for the period attributable to non-controlling interests	91	71	45	39
Income taxes	180	203	65	94
Net finance costs	165	171	101	78
Profit from operating activities (EBIT)	**1,257**	**1,625**	**537**	**752**
Depreciation, amortisation and impairment losses	645	653	326	327
Net income from disposal of non-current assets	–228	–59	–197	13
Non-cash income and expense	45	–10	20	–17
Change in provisions	–358	–1,351	–218	–1,173
Change in other non-current assets and liabilities	–12	13	–3	28
Dividend received	0	1	0	0
Income taxes paid	–277	–224	–130	–135
Net cash from/used in operating activities before changes in working capital	**1,072**	**648**	**335**	**–205**
Changes in working capital				
Inventories	8	12	–2	41
Receivables and other current assets	–542	–503	89	43
Liabilities and other items	–193	–530	–156	–40
Net cash from/used in operating activities	**345**	**–373**	**266**	**–161**
Subsidiaries and other business units	–2	0	–2	0
Property, plant and equipment and intangible assets	64	60	25	27
Investments accounted for using the equity method and other investments	221	80	221	0
Other non-current financial assets	11	12	5	2
Proceeds from disposal of non-current assets	294	152	249	29
Subsidiaries and other business units	0	0	0	0
Property, plant and equipment and intangible assets	–972	–1,016	–407	–439
Investments accounted for using the equity method and other investments	0	–19	0	0
Other non-current financial assets	–37	–27	–8	–3
Cash paid to acquire non-current assets	–1,009	–1,062	–415	–442
Interest received	22	24	10	13
Current financial assets	221	16	185	–3
Net cash used in/from investing activities	**–472**	**–870**	**29**	**–403**
Proceeds from issuance of non-current financial liabilities	6	1,260	2	1,250
Repayments of non-current financial liabilities	–17	–20	–8	–9
Change in current financial liabilities	35	–51	44	–39
Other financing activities	–45	–101	–18	–41
Cash paid for transactions with non-controlling interests	–6	0	–6	0
Dividend paid to Deutsche Post AG shareholders	–1,030	–1,027	–1,030	–1,027
Dividend paid to non-controlling interest holders	–6	–3	–6	–3
Purchase of treasury shares	–31	–221	–9	–196
Interest paid	12	–56	–46	–40
Net cash used in financing activities	**–1,082**	**–219**	**–1,077**	**–105**
Net change in cash and cash equivalents	**–1,209**	**–1,462**	**–782**	**–669**
Effect of changes in exchange rates on cash and cash equivalents	44	–75	–51	10
Changes in cash and cash equivalents associated with assets held for sale	0	0	0	–1
Changes in cash and cash equivalents due to changes in consolidated group	0	1	0	0
Cash and cash equivalents at beginning of reporting period	2,978	3,608	2,646	2,732
Cash and cash equivalents at end of reporting period	**1,813**	**2,072**	**1,813**	**2,072**

STATEMENT OF CHANGES IN EQUITY

1 January to 30 June

€m	Issued capital	Capital reserves	Other reserves: IAS 39 revaluation reserve	Other reserves: IAS 39 hedging reserve	Other reserves: 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						–1,030	–1,030	–7	–1,037
Transactions with non-controlling interests			0	0	0	1	1	–1	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				–30	–31	0	–31
Share-based payment schemes (issuance)	0	35				0	35	0	35
Share-based payment schemes (exercise)	2	–48				46	0	0	0
							–1,025	**–8**	**–1,033**
Total comprehensive income									
Consolidated net profit for the period						821	821	91	912
Currency translation differences					589	0	589	15	604
Change due to remeasurements of net pension provisions						974	974	–5	969
Other changes	0	0	–104	–41		0	–145	0	–145
							2,239	**101**	**2,340**
Balance at 30 June 2015	**1,211**	**2,326**	**66**	**–69**	**106**	**6,950**	**10,590**	**297**	**10,887**
Balance at 1 January 2016	1,211	2,385	67	–41	–15	7,427	11,034	261	11,295
Capital transactions with owner									
Dividend						–1,027	–1,027	–5	–1,032
Transactions with non-controlling interests			0	0	0	–1	–1	1	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	–9	0				–212	–221	0	–221
Share-based payment schemes (issuance)	0	43				0	43	0	43
Share-based payment schemes (exercise)	3	–54				51	0	0	0
							–1,206	**–4**	**–1,210**
Total comprehensive income									
Consolidated net profit for the period						1,180	1,180	71	1,251
Currency translation differences					–383	0	–383	–10	–393
Change due to remeasurements of net pension provisions						–1,441	–1,441	0	–1,441
Other changes	0	0	–57	23		0	–34	0	–34
							–678	**61**	**–617**
Balance at 30 June 2016	**1,205**	**2,374**	**10**	**–18**	**–398**	**5,977**	**9,150**	**318**	**9,468**

SELECTED EXPLANATORY NOTES

Company information

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. The condensed consolidated interim financial statements of Deutsche Post AG and its subsidiaries cover the period from 1 January to 30 June 2016 and have been reviewed.

BASIS OF PREPARATION

1 Basis of accounting

The accompanying condensed consolidated interim financial statements as at 30 June 2016 were prepared in accordance with section 37w of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) and 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 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 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	30 June 2016
Number of fully consolidated companies (subsidiaries)		
German	139	139
Foreign	658	657
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. In addition, two companies accounted for using the equity method have been liquidated.

2.1 Acquisitions

No acquisitions were made in the period to 30 June 2016.

2.2 Disposal and deconsolidation effects

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

Disposal and deconsolidation effects, 2016

€m

1 January to 30 June	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
Deconsolidation gain (+)/loss (–)	0

Post - eCommerce - Parcel segment

In January 2016, Deutsche Post DHL Group sold its 100% interest 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 decreased in the first half of 2016 despite a considerable reduction in discount rates. This decrease is due largely to additions to plan assets and a measurement-related reversal resulting from changes in the occupational retirement arrangement in Germany in the first quarter, which was offset by a number of other human resources measures (early retirement scheme for civil servants, etc.) and meant that, overall, there was no effect on earnings.

In addition, on 1 April 2016, the Group placed two senior bonds with a total volume of €1.25 billion. Of the capital raised, €1 billion is being used for the further funding of pension obligations. The five-year bond has a volume of €750 million and an annual coupon of 0.375%. The €500 million bond has a term of ten years and an annual coupon of 1.250%.

On 1 March 2016, the Board of Management of Deutsche Post AG resolved a share buyback programme to be initiated on 1 April 2016, Note 10.

INCOME STATEMENT DISCLOSURES

4 Other operating income

Of the gains on the disposal of non-current assets, €63 million relates to the sale of the remaining shares in the King's Cross companies in the UK. The prior-year disposal gains included €99 million from the sale of equity interests in Sinotrans Ltd., China, and €74 million from the sale of shares in the King's Cross companies.

The decrease in income from currency translation is due largely to the change in the exchange rate of the euro.

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

Other operating income

€m	H1 2015	H1 2016
Income from currency translation	148	117
Insurance income	89	98
Income from the reversal of provisions	125	96
Gains on disposal of non-current assets	244	94
Reversals of impairment losses on receivables and other assets	51	77
Commission income	72	61
Income from fees and reimbursements	68	61
Rental and lease income	59	51
Income from the remeasurement of liabilities	28	48
Income from work performed and capitalised	63	33
Income from derivatives	16	25
Income from prior-period billings	14	14
Income from loss compensation	13	13
Income from the derecognition of liabilities	16	7
Recoveries on receivables previously written off	4	6
Subsidies	3	3
Miscellaneous	168	174
Total	**1,181**	**978**

5 Depreciation, amortisation and impairment losses

Of the €653 million in depreciation, amortisation and impairment losses, €3 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	H1 2015	H1 2016
Cost of purchased cleaning and security services	179	177
Expenses for advertising and public relations	195	172
Insurance costs	164	172
Travel and training costs	170	151
Warranty expenses, refunds and compensation payments	127	137
Other business taxes	115	126
Currency translation expenses	143	119
Telecommunication costs	119	116
Write-downs of current assets	126	107
Office supplies	91	78
Entertainment and corporate hospitality expenses	74	71
Consulting costs (including tax advice)	97	65
Services provided by *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	55	61
Customs clearance-related charges	51	51
Contributions and fees	48	49
Voluntary social benefits	42	38
Losses on disposal of assets	15	33
Commissions paid	30	31
Legal costs	30	31
Expenses from derivatives	72	27
Monetary transaction costs	24	23
Audit costs	16	16
Donations	13	11
Prior-period other operating expenses	8	8
Miscellaneous	210	255
Total	**2,214**	**2,125**

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 €0.98 (previous year: €0.68).

Basic earnings per share

		H1 2015	H1 2016
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	821	1,180
Weighted average number of shares outstanding	number	1,210,055,169	1,209,234,626
Basic earnings per share	€	**0.68**	**0.98**

Diluted earnings per share in the reporting period were €0.94 (previous year: €0.65).

Diluted earnings per share

		H1 2015	H1 2016
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	821	1,180
Plus interest expense on convertible bond	€m	2	2
Less income taxes	€m	0[1]	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	823	1,182
Weighted average number of shares outstanding	number	1,210,055,169	1,209,234,626
Potentially dilutive shares	number	53,024,591	51,189,641
Weighted average number of shares for diluted earnings	number	1,263,079,760	1,260,424,267
Diluted earnings per share	€	**0.65**	**0.94**

[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 €867 million in the first half of 2016 (previous year: €695 million).

Investments

€m	30 June 2015	30 June 2016
Intangible assets (not including goodwill)	**120**	**77**
Property, plant and equipment		
Land and buildings (incl. leasehold improvements)	32	43
Technical equipment and machinery	33	49
Transport equipment	38	74
Aircraft	19	38
IT equipment	53	36
Operating and office equipment	33	35
Advance payments and assets under development	367	515
	575	**790**
Total	**695**	**867**

Change in goodwill

€m	2015	2016
Cost		
Balance at 1 January	12,247	12,704
Disposals	–4	0
Currency translation differences	461	–214
Balance at 31 December/30 June	**12,704**	**12,490**
Depreciation, amortisation and impairment losses		
Balance at 1 January	1,138	1,159
Disposals	–1	0
Currency translation differences	22	–26
Balance at 31 December/30 June	**1,159**	**1,133**
Carrying amount at 31 December/30 June	**11,545**	**11,357**

The change in goodwill in the first half of 2016 is due 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	30 June 2016	31 Dec. 2015	30 June 2016
Exel Inc., USA – real estate (Supply Chain segment)	6	6	0	0
Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG, Germany – plot of land (Corporate Center/Other segment)	0	5	0	0
IntelliAd Media GmbH, Germany – equity interest (PeP segment)	0	3	0	1
Güll GmbH, Germany, and Presse-Service Güll GmbH, Switzerland – equity interests (PeP segment)	3	2	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**	**16**	**2**	**1**

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.

Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG

The company plans to sell a plot of land. The most recent measurement prior to reclassification did not indicate any impairment.

IntelliAd Media GmbH

The Group plans to sell IntelliAd Media GmbH. The company is a provider of technology for search engine advertising. The most recent measurement prior to reclassification did not indicate any impairment.

IntelliAd Media GmbH

€m	30 June 2016
Non-current assets	0
Current assets	2
Cash and cash equivalents	1
ASSETS	**3**
Non-current provisions and liabilities	0
Current provisions and liabilities	1
EQUITY AND LIABILITIES	**1**

The sale of IntelliAd Media GmbH was completed in July 2016.

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 most recent measurement prior to reclassification led to an impairment loss of €2 million in financial year 2015. A further impairment loss of €1 million was recognised in financial year 2016. The sale of the Güll companies was completed in July 2016.

nugg.ad GmbH

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

Other

The aircraft sales planned by DHL Aviation (Netherlands) B.V., 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 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 30 June 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/30 June	**1,212,753,687**	**1,212,753,687**
Treasury shares		
Balance at 1 January	–1,507,473	–1,568,593
Purchase of treasury shares	–2,628,575	–8,789,350
Sale of treasury shares	14,992	46,626
Issue of treasury shares	2,552,463	2,829,908
Balance at 31 December/30 June	**–1,568,593**	**–7,481,409**
Total at 31 December/30 June	**1,211,185,094**	**1,205,272,278**

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 7,481,409 treasury shares as at 30 June 2016.

Deutsche Post AG acquired treasury shares for the total amount of €32 million (average price of €24.62 per share) in order to settle the 2015 tranche of the Share Matching Scheme. The company increased its share capital in 2015 to settle claims to matching shares under the 2011 tranche.

The treasury shares were issued to the executives concerned in April and May 2016.

Under the share buyback programme initiated on 1 April 2016 for a maximum term of one year, 7,481,409 shares were purchased in the period to 30 June 2016 for a total amount of €190 million including transaction costs and at an average price of €25.30 per share. 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.

11 Capital reserves

In the period to 30 June 2016, an amount of €43 million was added to the capital reserves for share-based payment systems.

€m	2015	2016
Capital reserves at 1 January	**2,339**	**2,385**
Share Matching Scheme		
Addition	47	36
Exercise	–48	–54
Total for Share Matching Scheme	**–1**	**–18**
Performance Share Plan		
Addition	10	7
Total for Performance Share Plan	**10**	**7**
Capital increases	37	0
Capital reserves at 31 December/30 June	**2,385**	**2,374**

In April and May 2016, the rights to matching shares under the 2011 tranche were settled and the 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.

€m	2015	2016
Retained earnings at 1 January	6,168	7,427
Dividend payment	–1,030	–1,027
Consolidated net profit for the period	1,540	1,180
Change due to remeasurements of net pension provisions	773	–1,441
Transactions with non-controlling interests	–3	–1
Miscellaneous other changes	–21	–161
Retained earnings at 31 December/30 June	**7,427**	**5,977**

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 30 June	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
External revenue	7,743	8,146	6,512	6,592	7,230	6,402	7,938	6,879	44	43	0	0	**29,467**	**28,062**
Internal revenue	70	55	183	182	337	350	49	55	583	572	–1,222	–1,214	**0**	**0**
Total revenue	7,813	8,201	6,695	6,774	7,567	6,752	7,987	6,934	627	615	–1,222	–1,214	**29,467**	**28,062**
Profit/loss from operating activities (EBIT)	474	659	708	777	57	120	172	229	–153	–159	–1	–1	**1,257**	**1,625**
of which net income from investments accounted for using the equity method	0	0	0	0	0	0	1	1	0	0	0	0	**1**	**1**
Segment assets[2,3]	5,532	5,765	9,337	9,511	7,998	7,855	6,418	6,248	1,571	1,666	–83	–91	**30,773**	**30,954**
of which investments accounted for using the equity method	1	20	46	47	25	25	3	3	0	0	1	0	**76**	**95**
Segment liabilities[2,3]	2,697	2,694	3,508	3,105	3,141	2,856	3,372	3,042	1,496	1,469	–59	–60	**14,155**	**13,106**
Segment assets/ liabilities, net	2,835	3,071	5,829	6,406	4,857	4,999	3,046	3,206	75	197	–24	–31	**16,618**	**17,848**
Capex	191	187	229	396	74	22	136	184	64	77	1	1	**695**	**867**
Depreciation and amortisation	154	156	185	208	44	40	149	144	114	101	–1	1	**645**	**650**
Impairment losses	0	0	0	0	0	0	0	3	0	0	0	0	**0**	**3**
Total depreciation, amortisation and impairment losses	154	156	185	208	44	40	149	147	114	101	–1	1	**645**	**653**
Other non-cash income and expenses[2]	90	77	130	148	119	25	187	152	30	22	1	–1	**557**	**423**
Employees[4]	169,430	168,558	79,318	82,728	44,588	43,010	145,827	145,650	10,747	10,839	0	0	**449,910**	**450,785**
Q 2														
External revenue	3,677	3,973	3,366	3,434	3,615	3,250	4,019	3,512	23	21	0	0	**14,700**	**14,190**
Internal revenue	35	27	89	89	163	175	26	29	292	288	–605	–608	**0**	**0**
Total revenue	3,712	4,000	3,455	3,523	3,778	3,425	4,045	3,541	315	309	–605	–608	**14,700**	**14,190**
Profit/loss from operating activities (EBIT)[2]	75	247	376	420	40	69	119	102	–72	–87	–1	1	**537**	**752**
of which net income from investments accounted for using the equity method	0	0	0	0	0	0	1	0	0	0	0	0	**1**	**0**
Capex	127	113	154	205	34	12	63	84	42	40	1	2	**421**	**456**
Depreciation and amortisation	78	79	94	104	21	20	76	72	57	50	0	1	**326**	**326**
Impairment losses	0	0	0	0	0	0	0	1	0	0	0	0	**0**	**1**
Total depreciation, amortisation and impairment losses	78	79	94	104	21	20	76	73	57	50	0	1	**326**	**327**
Other non-cash income and expenses[2]	62	35	55	100	80	10	96	68	–9	7	0	–1	**284**	**219**

[1] Including rounding.
[2] Prior-period amounts adjusted.
[3] As at 31 December 2015 and 30 June 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 30 June	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
External revenue	8,498	8,787	9,609	8,473	5,134	4,916	5,026	4,770	1,200	1,116	**29,467**	**28,062**
Non-current assets[1]	5,298	5,326	7,264	6,927	3,876	4,062	3,553	3,544	390	374	**20,381**	**20,233**
Capex	346	360	141	238	109	179	80	77	19	13	**695**	**867**
Q 2												
External revenue	4,051	4,307	4,899	4,339	2,597	2,518	2,553	2,466	600	560	**14,700**	**14,190**
Capex	217	196	96	115	48	97	49	41	11	7	**421**	**456**

[1] As at 31 December 2015 and 30 June 2016.

Adjustment of prior-period amounts

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

Reconciliation

€m	H1 2015	H1 2016
Total income of reportable segments	1,411	1,785
Corporate Center/Other	–153	–159
Reconciliation to Group/Consolidation	–1	–1
Profit from operating activities (EBIT)	**1,257**	**1,625**
Net finance costs	**–165**	**–171**
Profit before income taxes	**1,092**	**1,454**
Income taxes	–180	–203
Consolidated net profit for the period	**912**	**1,251**

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
30 June 2016				
Financial assets				
Non-current financial assets	20	635	0	**655**
Current financial assets	0	458	0	**458**
Total	**20**	**1,093**	**0**	**1,113**
Financial liabilities				
Non-current liabilities	5,505	285	0	**5,790**
Current liabilities	764	163	0	**927**
Total	**6,269**	**448**	**0**	**6,717**
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, while 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 30 June 2016:

Unobservable inputs (Level 3)

€m	2015		2016	
	Assets	Liabilities	Assets	Liabilities
	Equity instruments	Derivatives, of which equity derivatives	Equity instruments	Derivatives, of which equity derivatives
Balance at 1 January	132	1	83	0
Gains and losses (recognised in profit and loss)[1]	0	–1	0	0
Gains and losses (recognised in OCI)[2]	38	0	0	0
Additions	0	0	0	0
Disposals	–95	0	–80	0
Currency translation effects	8	0	–3	0
Balance at 31 December/30 June	**83**	**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). 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 of the available-for-sale financial assets reported as at 30 June 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.

At his own request, Lawrence Rosen will retire and resign as the member of the Group Board of Management responsible for Finance, Global Business Services, on 30 September 2016. Melanie Kreis has been appointed as his successor; she will retain her responsibility as the Board Member for Human Resources and as Group Labour Director until further notice.

Tim Scharwath was appointed as the new member of the Group Board of Management for Global Forwarding, Freight in May 2016. He will have assumed office by June 2017.

17 Events after the reporting date/other disclosures

In a judgement dated 14 July 2016, the General Court of the European Union (EGC) set aside the European Commission's state aid decision dated 25 January 2012 in an action brought by the Federal Republic of Germany (the federal government).

In its state aid decision, the European Commission had argued that the financing of civil servant pensions in part constituted unlawful state aid that had to be repaid to the federal government, @ 2015 Annual Report, Notes 49 and 51. In their actions, Deutsche Post AG and the federal government had asserted that the state aid decision was unlawful. The EGC has now followed this argument in the action brought by the federal government. The action brought by Deutsche Post AG is still pending. There are now no longer any grounds for the obligation to repay the alleged state aid under the state aid decision because of the EGC's judgement. The European Commission has the right to appeal this judgement at the European Court of Justice.

At the end of July 2016, the Group resolved to sell the long-distance bus operation of Deutsche Post Mobility GmbH (in the PeP segment) to FlixMobility GmbH in an asset deal.

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, 2 August 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 30 June 2016, which are part of the half-yearly 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, 2 August 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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Published on 3 August 2016.

The English version of the Interim Report as at 30 June 2016 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 2016/2017

8 November 2016
Interim Report as at 30 September 2016

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:
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