

Deutsche Post Finance B.V.

Semi-Annual Report

30 June, 2018

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1. Management Report

1.1 Introduction

This report includes the Financial Statements of Deutsche Post Finance B.V. (“The Company”) as at 30 June, 2018. The Company is part of Deutsche Post DHL Group (“The Group”).

1.2 Business activities

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL group companies.

1.3 Legal relationships

General information

The Company was incorporated in the Netherlands, Rotterdam on 13 April, 1999 and is now listed in the Commercial Register of the Chamber of Commerce for Limburg under number 24.29.26.43. The Company is owned 100% by Deutsche Post International B.V. in Maastricht, the Netherlands. Ultimate shareholder is Deutsche Post AG in Bonn, Germany.

Management Board

The Management Board currently consists of two members:

- Mr. Roland Buss
- Mr. Timo van Druten.

Business address

Pierre de Coubertinweg 7N, 6225 XT Maastricht

1.4 Main business developments

In the first half year of 2018, the US Federal Reserve increased its key interest rate in two steps by 0,50 percentage points in total, with rates moving to 1,75% to 2,00%. The European Central Bank kept its key interest rate at 0,00% and continued its bond-buying programme as planned.

From January to end of June of 2018 there were no events that materially affected the Company’s net assets, financial position and results from operations. In particular the Company did not perform any activities on the capital markets.

The balance sheet total of the Company nearly stayed unchanged compared to the end of 2017. The Company’s result after taxation per 30 June 2018 amounts to a gain of EUR 163.249. Excluding the expense from hedge ineffectiveness, totaling EUR 9.749, the 2017 minimum margin result amounts to a profit of EUR 172.998 [30 June 2017: EUR 423.581].

This profit meets the management’s expectations and is in line with the Company’s calculated minimum profit margin.

The ineffectiveness recognized in the statement of comprehensive income results from strict hedge accounting requirements.

The main risks affecting the Company are interest and currency risks. Interest risks as well as currency risks are hedged according to the guidelines of the Group by the Group's Central Treasury. The variety of instruments used for hedging purposes and the policies are described in the notes to the Financial Statements.

1.5 Future business developments

The liquidity situation of the Group remains solid. The management of the Company is not aware of any plans to raise funds from the capital markets in 2018.

The Company will persist as a Group finance company and any possible future proceeds of debt issues will be lent within the Group.

Maastricht, 24 August, 2018

The Management Board:



.....
Roland Buss



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Timo van Druten

2. Financial Statements

2.1 Balance sheet

Amounts in EUR	Note	30 June, 2018	31 December, 2017
Non-current assets			
Long-term loans receivable		512.033.974	482.911.290
Non-current derivatives	(4)	<u>31.701.943</u>	<u>40.310.637</u>
		543.735.917	523.221.927
Current assets			
Short-term receivables		52.616	65.944
Cash pool receivables		4.947.645	34.789.525
Other receivables		<u>0</u>	<u>7.252</u>
		5.000.261	34.862.721
		<u>548.736.178</u>	<u>558.084.648</u>
Shareholders' equity	(5)		
Share capital		18.500	18.500
Capital reserve		2.000.000	2.000.000
IFRS 9 reserve		(877.316)	0
Retained earnings		<u>17.391.147</u>	<u>17.227.898</u>
		18.532.331	19.246.398
Long-term liabilities			
Bonds long-term	(6)	<u>530.066.517</u>	<u>531.005.338</u>
		530.066.517	531.005.338
Short-term liabilities			
Accrued interest		125.342	7.813.014
Other current liabilities and accruals		<u>11.988</u>	<u>19.898</u>
		137.330	7.832.912
		<u>548.736.178</u>	<u>558.084.648</u>

The notes are an integral part of the Company's Financial Statements.

2.2 Statement of comprehensive income

Amounts in EUR	Note	1 January - 30 June, 2018	1 January - 30 June, 2017
Interest income	(7)	3.110.034	11.360.676
Interest expenses	(8)	(2.871.313)	(10.879.657)
Other gains and losses		(9.749)	202.084
Other operating expenses		(65.723)	(57.438)
Profit before taxes		163.249	625.665
Income tax expense		0	0
Profit for the year		163.249	625.665
Items that may be subsequently reclassified to profit or loss			
Changes in hedge reserve		0	(2.263.248)
Total Comprehensive loss		163.249	(1.637.583)

The profit for the year is attributable to the parent.

The notes are an integral part of the Company's Financial Statements.

2.3 Statement of changes in shareholders' equity

Movements in shareholders' equity during the financial year were as follows:

Amounts in EUR	Total	Share capital	Capital reserve	Cash flow hedge reserve	IFRS 9 reserve	Retained earnings
At 1 January 2017	20.602.050	18.500	2.000.000	2.263.248	0	16.320.302
<i>Movements 2017</i>						
Valuation Financial Instruments	(2.263.248)	0	0	(2.263.248)	0	0
Net result 2017	625.665	0	0	0	0	625.665
Balance at 30 June, 2017	18.964.467	18.500	2.000.000	0	0	16.945.967
At 1 January, 2018	18.369.082	18.500	2.000.000	0	(877.316)	17.227.898
<i>Movements 2018</i>						
Valuation Financial Instruments	0	0	0	0	0	0
Net result 2018	163.249	0	0	0	0	163.249
Balance at 30 June, 2018	18.532.331	18.500	2.000.000	0	(877.316)	17.391.147

The notes are an integral part of the Company's Financial Statements.

2.4 Cash flow statement

Amounts in EUR	30 June, 2018	30 June, 2017
Cash inflow		
Repayment of loans	0	851.237.873
Interest inflow	17.873.362	56.919.929
Cash pooling/IHB decrease	29.841.880	11.975.775
Total Cash inflow	47.715.242	920.133.577
Cash outflow		
Redemption of maturing bonds	0	(750.000.000)
New allocation of loans	(30.000.000)	(25.000.000)
Interest outflow	(17.648.861)	(54.836.430)
Other outflows (SLA etc.)	(66.381)	(59.274)
Cash pooling / IHB increase	0	0
Net Outflow of maturing FX derivatives	0	(90.237.873)
Total Cash outflow	(47.715.242)	(920.133.577)
Net cash flow	0	0

Gross cash flows include cash movements from and towards the cash pool balance. The cash pool balance is related to the cash pool agreement between Deutsche Post Finance B.V. and Deutsche Post AG.

Cash pool balance	2018	2017
Opening balance at 1 January	34.789.525	14.866.086
Net cash flow	(29.841.880)	(11.975.775)
Closing balance at 30 June	4.947.645	2.890.311

All cash flows are considered to be operating cash flows.

The notes are an integral part of the Company's Financial Statements.

2.5 Notes to the Financial Statements

(1) *General overview*

Deutsche Post Finance B.V. (hereafter “The Company”), having its statutory seat in Maastricht, was incorporated in the Netherlands, Rotterdam on 13 April, 1999 and is now listed in the Commercial Register of the Chamber of Commerce for Limburg under the number 24.29.26.43. The Company is owned 100% by Deutsche Post International B.V. in Maastricht, the Netherlands. The ultimate shareholder is Deutsche Post AG in Bonn, Germany.

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL group companies.

Items included in the Financial Statements are measured using the currency of the primary environment in which Deutsche Post Finance B.V. operates (“the functional currency”). The Financial Statements are presented in Euro, which is the Company’s presentation currency and functional currency.

The Company has no subsidiaries, joint ventures or associates. The Company itself is a part of the Group and the financial results of the Company are incorporated into the IFRS Consolidated Financial Statements of the Group.

The date of approval of these Financial Statements by the Management Board is 24 August, 2018.

(2) *Basis of accounting*

The interim Financial Statements as of 30 June, 2018, have been prepared in accordance with the International Financial Reporting Standards (IFRS) 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 IFRS to be presented in condensed interim Financial Statements. The accounting policies applied to the condensed interim Financial Statements are generally based on the same accounting policies used in the Financial Statements for the financial year 2017. For further information on the accounting policies applied, please refer to the Financial Statements for the year ended 31 December 2017, on which these interim Financial Statements are based.

Departures from the accounting policies applied in the financial year 2017 consist of the new or amended international accounting pronouncements under IFRS required to be applied since financial year 2018.

Effects of IFRS 9, Financial Instruments

The reclassification of financial assets from IAS 39 to the IFRS 9 categories did not have any effects on the balance sheet as of 1 January 2018. All financial assets (debt instruments) which were categorized into the IAS 39 category “Loans and receivables” are transferred into the IFRS 9 category “Financial assets at amortized cost” and derivatives which were categorized under IAS 39 into “Financial assets at fair value through profit or loss” remain in this category.

All debt instruments are characterized by the fact that they are originated to realize cash flows from the principal and interest and hold to collect cash flows only until maturity, without any intention of selling.

As at 1 January 2018, impairment losses on loans were recognized early in other comprehensive income in accordance with the expected loss model. For the calculation a short cut method is implemented. The borrowers of the loans have a strong capacity to meet the contractual cash flow obligation in the near term. Any adverse changes in economic and business conditions in the longer

term will not necessarily reduce the borrowers' ability to repay the loans. The short cut method assumes that the default probability for the loans is equal to the historic default probability of BBB-rated companies as published by Standard & Poor's (S&P). Based on S&P global default rates an expected credit loss of EUR 877.316 was calculated for 1 January 2018. The amount was transferred to the IFRS 9 reserve with no effect on the Income Statement.

Deutsche Post Finance B.V. exercises the option of continuing to apply the requirements of IAS 39 governing hedge accounting.

(3) *Financial risk management*

The principal activity of Deutsche Post Finance B.V. consists of raising capital in order to lend funds to Deutsche Post DHL group companies. These activities result in financial risks that may arise from changes in exchange rates and interest rates. Both risks are hedged according to the Group's guidelines by the Group's Central Treasury.

Internal guidelines govern the universe of actions, responsibilities and controls necessary for using derivatives. Suitable risk management software is used to record, assess and process hedging transactions. It is also used to regularly assess the effectiveness of the hedging relationships. The Group only enters into hedging transactions with prime-rated banks. Each bank is assigned a counterparty limit, the use of which is regularly monitored.

The Group's Board of Management receives regular internal information on the existing financial risk and the hedging instruments deployed to limit them.

The fair values of the derivatives used may be subject to substantial fluctuations depending on changes in exchange rates and interest rates. These fluctuations in fair value are not to be viewed in isolation from the underlying transactions that are hedged. Derivatives and hedged transactions form a unity with regard to their offsetting value development.

Interest rate risk and interest rate management

Interest rate risk arises from changes in market interest rates for financial assets and financial liabilities. To quantify the risk profile, according to the Group's guidelines, all interest-bearing receivables and liabilities are recorded, interest rate analyses are regularly prepared, and the potential effects on the net interest income are examined. The Group uses interest rate derivatives, such as interest rate swaps and options, to reduce financing costs and optimally manage and limit interest rate risks by adjusting the ratio of fixed to variable interest agreements.

As at 30 June 2018 fixed rate bonds with a total notional volume of EUR 500 million were outstanding, maturing in 2022. The bonds are used to grant floating interest rate EUR loans to other Deutsche Post DHL group companies. The EUR 500 million bonds have been transformed into a floating rate liability with a fixed to float receiver interest rate swap. For this interest rate swap fair value hedge accounting is applied.

Foreign exchange risk

According to the Group's risk management guidelines the recorded currency risks arising from financial transactions are usually hedged in full.

These risks are hedged using financial derivatives, such as currency forwards, swaps and cross currency interest rate swaps.

The Company does not use derivative instruments for speculative purposes. The Company currently is not exposed to any currency risks.

Liquidity risk

The Group ensures a sufficient supply of cash for Group companies at all times via a largely centralized liquidity management system. Deutsche Post Finance B.V. is one of the most important

financing entities within the Group. Therefore the Company issued bonds which are fully guaranteed by Deutsche Post AG.

(4) *Derivative financial instruments and hedging*

Derivative financial instruments

The following table provides an overview of the derivatives applied by the Company:

Fair values:

	30-06-2018	31-12-2017
	EUR	EUR
Interest rate swap (positive value)	31.701.943	40.310.637
Total FV of all derivative financial instruments	31.701.943	40.310.637

The positive market value of the interest rate swap is included in the non-current assets.

The fair value of the interest rate hedging instrument was calculated on the basis of discounted expected future cash flows, using a discounted cash flow model using observable market input.

Nominal amounts:

	30-06-2018	31-12-2017
	EUR	EUR
Interest rate swaps	500.000.000	500.000.000

Fair value hedges

An interest rate swap with a volume of EUR 500.000.000 was concluded in 2012 to hedge the fair value risk of the nominal amount of the fixed interest Euro-denominated bond maturing in 2022. The positive fair value of this fixed to floating interest rate swap amounts to EUR 31.701.943 [31 December 2017: EUR 40.310.637].

(5) *Shareholders' equity*

Share capital

The authorized share capital of the Company as at 30 June, 2018 amounts to EUR 90.000 and consists of 180 ordinary shares each of EUR 500. The issued share capital amounts to EUR 18.500 and consists of 37 ordinary shares with a nominal value of EUR 500 each, which are fully paid.

Capital reserve

On 23 May, 2002 the shareholder paid a capital contribution amounting to EUR 2.925.697. On the same date the shareholder approved offsetting the negative retained earnings as at 31 December, 2001, amounting to EUR 925.697, against the capital reserve.

Hedge reserve

Net gains or losses from changes in the fair value of the effective portion of a cash flow hedge are taken directly to the hedge reserve. The hedge reserve is released to income when the hedged item is settled. The ineffective portion of the cash flow hedges is excluded from the hedge reserve and

recognized in profit and loss for the year. At 30 June, 2018 there are no hedges that qualify for cash flow hedge accounting. As a result the hedge reserve should be assumed to be zero.

IFRS 9 reserve

The conversion from the incurred loss model to the expected loss model leads to a one time effect of EUR -877.316, which is to be allocated to the IFRS 9 reserve with no effect on earnings.

(6) Bonds long-term and short-term

On 25 June, 2012 the Company issued EUR 500.000.000, 2,950% bonds of 2012/2022 with an issue price of 99,471%.

The bond issued by the Company is fully guaranteed by Deutsche Post AG.

Nominal amounts:

	Bond	30-06-2018	31-12-2017
		EUR	EUR
	Bond 2022	500.000.000	500.000.000
		500.000.000	500.000.000
		30-06-2018	31-12-2017
		EUR	EUR
1 – 5 years, nominal value		500.000.000	500.000.000
		500.000.000	500.000.000

The fair value of the bond is as follows:

	Bond	30-06-2018	31-12-2017
		EUR	EUR
	Bond 2022	554.990.000	561.090.000
		554.990.000	561.090.000

The carrying amount of the amortized costs of the bond (before the fair value adjustments relating to hedging) is as follows:

Bond	30-06-2018	31-12-2017
	EUR	EUR
Bond 2022	497.981.453	497.743.849
	497.981.453	497.743.849

The carrying amount of the bond (after fair value adjustment relating to hedging) is as follows:

Bond	30-06-2018	31-12-2017
	EUR	EUR
Bond 2022	530.066.517	531.005.338
	530.066.517	531.005.338

The effective interest rate is as follows:

Bond	30-06-2018	31-12-2017
Bond 2022	1,0651%	1,0631%

(7) Interest income

The interest income arises from settled and unsettled balances with related parties, which the Company shows as receivables. The interest income from affiliated companies can be specified as follows:

	1 January – 30 June, 2018	1 January – 30 June, 2017
	EUR	EUR
Deutsche Post DHL group companies	3.110.034	13.339.922
Interest expenses from cross-currency swap	0	(1.979.246)
	3.110.034	11.360.676

(8) Interest expenses

Interest expenses due on the bonds can be specified as follows:

	1 January – 30 June, 2018	1 January – 30 June, 2017
	EUR	EUR
Interest expenses (fixed) Bond 2017	0	(6.857.877)
Interest expenses (fixed) Bond 2022	(7.314.384)	(7.314.384)
Interest income from interest rate swap related to Bond 2022	4.928.620	4.797.760
Amortization of the bond discount and issue costs	(237.604)	(891.457)
Guarantee provision	(247.945)	(613.699)
	(2.871.313)	(10.879.657)

(9) Disclosure on financial instruments

The following table presents the financial instruments recognized at fair value and those financial instruments whose fair value is required to be disclosed; the financial instruments are presented by the level in the fair value hierarchy to which they are assigned. The simplification option under IFRS 7.29a was exercised for current assets and short-term liabilities with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values.

Level 1 mainly comprises debt instruments measured at amortized cost.

In addition to these instruments, 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 and interest rates (market approach). For this purpose, price quotations observable on the market (exchange rates and interest rates) 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.

No instruments have been disclosed under Level 3.

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

Recurring fair value measurement

Financial assets and liabilities per 30 June 2018

EUR	Level 1	Level 2	Level 3	Total
Assets				
Non-current assets	0	569.788.823	0	569.788.823
Current assets	0	0	0	0
Total assets	0	569.788.823	0	569.788.823
Liabilities				
Long-term liabilities	(554.990.000)	0	0	(554.990.000)
Short-term liabilities	0	0	0	0
Total liabilities	(554.990.000)	0	0	(554.990.000)

Financial assets and liabilities per 31 December 2017

EUR	Level 1	Level 2	Level 3	Total
Assets				
Non-current assets	0	551.942.786	0	551.942.786
Current assets	0	0	0	0
Total assets	0	551.942.786	0	551.942.786
Liabilities				
Long-term liabilities	(561.090.000)	0	0	(561.090.000)
Short-term liabilities	0	0	0	0
Total liabilities	(561.090.000)	0	0	(561.090.000)

Level 1 : Quoted prices for identical instruments in active market

Level 2 : Inputs other than quoted prices that are directly or indirectly observable for instruments

Level 3 : Inputs not based on observable market data

The simplification option under IFRS 7.29a was exercised for short-term receivables from affiliated companies, cash pool receivables, other receivables, accrued interest and other current liabilities and accruals with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values.

Financial assets and liabilities are set off on the basis of netting agreements (master netting agreements) only if an enforceable right of set-off exists and settlement on a net basis is intended as at the reporting date. If the right of set-off is not enforceable in a normal course of business and the master netting arrangements creates a conditional right of set-off that can only be enforced by taking legal action, the financial assets and liabilities must be recognized in the balance sheet at their gross amounts as at the reporting date.

To hedge cash flow and fair value risks, Deutsche Post Finance B.V. enters into financial derivative transactions with Deutsche Post AG. There are no netting agreements for these contracts. Therefore all derivatives are recognized at their gross amount in the Financial Statements.

(10) *Income tax expense*

The Company is part of the fiscal unity formed with Deutsche Post International B.V. and its affiliated companies in the Netherlands. Current and deferred income tax assets and liabilities of the Company have been included and recognized in the accounts of Deutsche Post International B.V. as head of the fiscal unity.

(11) *Cash flows*

The principal activity of the Company consists of raising capital in order to lend funds to Deutsche Post DHL group companies. Therefore all activities, relating to interest received and paid are classified as operating activities. All transactions and balances of the Company within the in-house bank of the Deutsche Post DHL Group are classified as changes in working capital (changes in receivables and payables).

The Company has not received or paid any dividends during 2018.

(12) *Related party transactions*

Deutsche Post Finance B.V. is involved in various related party transactions. For more details, we refer to these Financial Statements.

(13) *Employees*

The Company has no employees. Employees of the Deutsche Post European Financial Shared Services in Maastricht and the Treasury Center in Bonn perform the administrative activities.

(14) *Director's remuneration*

The Management Board of the Company currently consists of two members:

- Mr. Roland Buss
- Mr. Timo van Druten.

The members of the Management Board do not receive any remuneration from the Company.

(15) *Commitments and rights not included in the balance sheet*

The Company is part of the fiscal unity headed by Deutsche Post International B.V. as a consequence the Company is liable for all corporate income tax liabilities of the fiscal unity.

The tax position of the Company is accounted for and included in the consolidated tax position of the head of the fiscal unity, Deutsche Post International B.V. In line with Group policy the income tax expenses are not being charged to the Company, but remain with the head of the fiscal unity.

3. Post balance sheet events

No post balance sheet events have occurred.


4. Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Signatures:

Maastricht, 24 August, 2018

The Management Board:


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Roland Buss
.....
Timo van Druten