# Deutsche Post AG

| Rating Type | Rating | Outlook | Last Rating Action |
|---|---|---|---|
| Long-Term IDR | BBB+ | Stable | Affirmed 12 September 2016 |
| Senior unsecured | BBB+ | | Affirmed 12 September 2016 |

Click here for full list of ratings

## Financial Summary

| | 2014 | 2015 | 2016F | 2017F |
|---|---|---|---|---|
| Gross Revenues (EURm) | 56,630 | 59,230 | 60,903 | 62,737 |
| Operating EBITDAR Margin (%) | 10.6 | 9.8 | 10.7 | 11.0 |
| FFO Margin (%) | 5.1 | 4.3 | 4.9 | 5.1 |
| FFO Fixed Charge Coverage (x) | 2.4 | 2.2 | 2.3 | 2.4 |
| FFO Adjusted Leverage (x) | 4.1 | 3.6 | 3.5 | 3.4 |
| FFO Adjusted Net Leverage (x) | 3.6 | 3.0 | 3.2 | 3.2 |

Source: Fitch

## Key Rating Drivers

**Balanced Risk Profile:** Deutsche Post AG's (DP) ratings reflect a balanced business risk profile, supported by a stable contribution from core mail products despite structural volume declines, a strong position in global time-definite express services (DHL), and growth in internet-led domestic parcel volumes. This is offset by the more cyclical and competitive nature of Global Freight Forwarding (GFF) and Supply Chain operations as well as possible restructuring-related delays. DP remains one of the largest logistics services businesses in the world through its Express, GFF and Supply Chain businesses.

**Parcels Offset Declining Mail:** Traditional mail volumes at the mail and parcel division (PeP) are declining due to higher email usage. The decline is offset by a rise in regulated mail prices and a rising contribution from domestic parcels, albeit with lower profit margins. E-commerce volume growth in Germany was 9% for 2Q16 YTD, driven by parcel growth due to the growth in online shopping. PeP has been expanding its footprint for its parcel business in Europe and other, selected non-European countries by taking over legacy DHL assets in neighbouring countries as well as greenfield entries into new markets.

**Express Growth Remains Strong**: DP's Express division continues to benefit from the growth in global B2B business. Compound annual growth of time-definite-international (TDI) volumes over the past five years was 8.5%. Combined with DP's extensive global network and further investments in improving its capabilities, this has led to a steady improvement in margins. Fitch expects Express to be the key growth driver for the company for the next few years. TDI volumes in 2Q16 increased 8.2% and the EBIT margin increased to a record 11.9%.

**GFF Recovery on Track:** The GFF division is the most cyclical of DP's businesses with a direct correlation to global trade volumes. Overcapacity issues in air freight as well as ocean freight markets are keeping freight rates low. Legacy issues at DP's GFF division have meant that GFF is less profitable than its global peers. After scrapping a bespoke renewal of its IT and related business processes last year, GFF has recovered profitability well in 2016 YTD and is also improving gross profit conversion to EBIT through a focus on profitable volumes.

**Supply Chain Restructuring:** DP's Supply Chain business remains a steady growth business with about EUR1bn of new order intake per year, with volumes underpinned by a broad range of contracts with major industrial, retail and government clients. However, margins remain low, which DP is aiming to improve through restructuring of underperforming businesses and operational standardisation. A change in revenue recognition for the contract with the National Health Service in the UK will reduce revenues in 2016. However, this is not likely to affect cash flows from the division.

**Stabilising Financial Profile**: Fitch expects DP's financial profile to be broadly stable in 2016, reflecting expected margin improvement and a limited impact from the EUR1bn share buyback and EUR1.25bn bond issuance for pension funding. Fitch forecasts free cash flow (FCF) to be moderately negative after assumed average capex of EUR2.3bn per year until 2017 and about 50% dividend payout. Fitch estimates FFO (funds from operations) lease adjusted net leverage for 2016 to be about 3.3x, higher than 3.0x at end-2015. We expect fixed charge coverage, including non-cancellable operating leases averaging EUR2.1bn per year, to stay close to 2.5x for 2016.

## Rating Derivation Relative Table

| **Rating Derivation Versus Peers** | |
|---|---|
| Peer Comparison | Deutsche Post is well positioned relative to peers on each major comparative. It enjoys a comparable market position to its peers such as Poste Italiane and La Poste in traditional mail services. It enjoys stronger market position than peers such as Fedex and UPS in express and logistics services.<br>DP’s financial profile is strong and is comparable to peers. The ratings of DP’s traditional mail peers such as Poste Italiane and La Poste benefit from state support in their respective countries. |
| Parent/Subsidiary Linkage | No parent/subsidiary linkage is applicable. |
| Country Ceiling | No Country Ceiling constraint was in effect for these ratings. |
| Operating Environment | No operating environment influence was in effect for these ratings. |
| Other Factors | Fitch views the diversification of DP’s business activities as positive. DP’s declining regular mail operations are offset by increasing volumes in parcels and time-definite packages, underpinning revenues and margins. |

Source: Fitch

## Rating Sensitivities

### Future Developments That May, Individually or Collectively, Lead to Positive Rating Action

- FFO lease adjusted net leverage below 2.5x and FFO fixed charge coverage above 3.5x on a sustained basis; an improving macro-economic outlook supporting performances of DHL's divisions; and continued increase in cash-flow contribution from the domestic parcel business to compensate declining traditional mail profits supporting free cash-flow generation.

### Future Developments That May, Individually or Collectively, Lead to Negative Rating Action

- FFO lease adjusted net leverage above 3.5x on a sustained basis and further weakening of FFO fixed charges coverage; significant deterioration in business fundamentals due to a protracted economic downturn or structural changes leading to significant volume; and margin reduction in the DHL divisions and consistently negative free cash flows.

## Liquidity and Debt Structure

**Sufficient Liquidity:** DP's liquidity was adequate at the end of June 2016 through a combination of strong cash balance and undrawn credit facility. On-balance-sheet cash at the end of June 2016 was EUR2,072m (of which around EUR1bn was restricted, including cash in transit and cash at decentralised subsidiaries) down from EUR2,526m (excluding restricted cash) at the end of 2015. DP has a committed undrawn EUR2bn credit facility maturing in 2020. Under Fitch's rating-case forecast, DP expected to be moderately FCF negative in 2016.

## Debt Maturities and Liquidity at 1H16

| Debt Maturities | (EURm) |
|---|---|
| 2016 | 300 |
| 2017 | 1,274 |
| 2018 | 513 |
| 2019 | 1,087 |
| After 2019 | 3,265 |
| Total debt | 6,439 |
| | |
| **Liquidity Analysis** | **(EURm)** |
| Unrestricted cash | 1,072 |
| Committed banking facilities | 2,000 |
| Available undrawn portion | 2,000 |
| FCF (post dividend) from forecast | -419 |
| Short-term debt | 553 |
| Total Liquidity | 2,100 |
| | |
| Liquidity score | 4.8x |

Source: Fitch

## Key Rating Issues

### Pension Funding

DP has a large pension obligation due to its legacy operations. The company funds this pension deficit through regular cash payments into the pension assets. In line with Fitch's methodology, we deduct all future cash pension payments, which are not included in the forecast EBITDA, before the FFO to arrive at the Fitch defined FFO.

In 2016 DP issued EUR1.25bn of unsecured notes to part-fund the pension deficit. Fitch treated this issuance by increasing the debt by the issued amount while there was no corresponding increase in cash as the proceeds were used to fund the pension deficit. This led to about 0.2x increase in pro forma FFO adjusted net leverage for 2016. The projected debt service of the new debt will be offset by lower ongoing contributions to the scheme.

For unfunded pension schemes like many in Germany, Fitch's pension-adjusted leverage methodology recognises only a portion of the funded status, equal to a ratio of balance-sheet debt to total assets (adjusted for funding status), assuming that the pension cash-flow drain is less immediate. The transaction will improve DP's funding status, but increase pension-adjusted debt. However, the pension-adjusted leverage ratio will increase by less than the lease adjusted leverage used as the rating guideline.

### Operating Lease Adjustments

In line with Fitch's methodology for treatment of operating leases, we exclude the following leased assets from our calculation to adjust debt figures:

1. transport equipment,
2. office equipment,
3. IT equipment and
4. contract-linked real estate.

The exclusion of the above-mentioned leased assets is because either these assets have a short remaining useful life of less than five years which makes the related leases comparable to an operating expense or the leases are co-terminus with a particular logistics contract.

Based on the proportion of operating lease expenses represented by the above mentioned assets out of the total operating lease expense reported by the company in a year, we have applied a blended multiple of 5.5x instead of the usual 8x.

## Trends and Forecasts


Note: Including Fitch expectations
Source: Fitch

### Definitions

Leverage: Gross debt plus lease adjustment, minus equity credit for hybrid instruments, plus preferred stock, divided by FFO, plus gross paid, plus preferred dividends, plus rental expense.
Interest cover: FFO plus gross interest paid, plus preferred dividends divided by gross interest paid, plus preferred dividends.
Revenue Growth: Percentage growth in revenues since previous reporting period.
FFO profitability: FFO divided by revenue.

## Key Assumptions

Fitch's key assumptions within our rating case for the issuer include:

- Continued decline in mail volumes partially offset by growth at the parcels business
- Gradually improving profitability driven by growth in the Express division
- Liquidity to remain adequate due to an undrawn EUR2bn facility, moderately negative FCF and limited debt repayments
- Dividend payments in line with the company's policy of 40%-60% payout ratio
- Blended operating lease adjustment multiple of 5.5x, reflecting the large proportion of payments relating to office, IT, vehicles and building leases co-terminating with contracts that a not capitalised and aircraft, buildings and machinery that are capitalised with 8x multiple.

## Financial Data

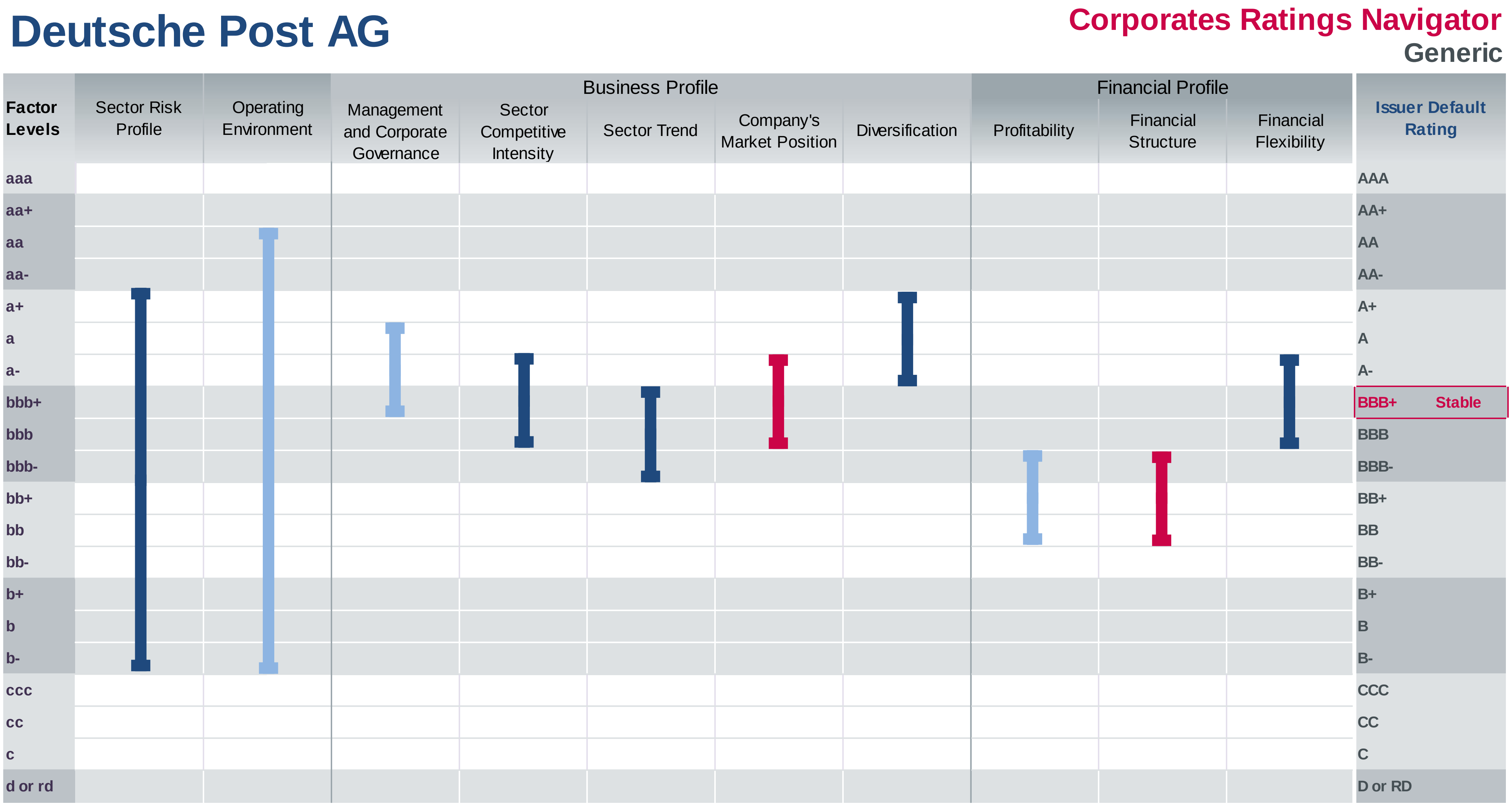
| (EURm) | Historical | | | Forecast | | |
|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016F | 2017F | 2018F |
| **SUMMARY INCOME STATEMENT** | | | | | | |
| Gross Revenues | 55,085 | 56,630 | 59,230 | 60,903 | 62,737 | 64,253 |
| Revenue Growth (%) | -0.8 | 2.8 | 4.6 | 2.8 | 3.0 | 2.4 |
| Operating EBITDA (before income from associates) | 4,048 | 4,153 | 3,729 | 4,381 | 4,678 | 4,892 |
| Operating EBITDA Margin (%) | 7.3 | 7.3 | 6.3 | 7.2 | 7.5 | 7.6 |
| Operating EBITDAR | 5,744 | 5,998 | 5,825 | 6,536 | 6,898 | 7,166 |
| Operating EBITDAR Margin (%) | 10.4 | 10.6 | 9.8 | 10.7 | 11.0 | 11.2 |
| Operating EBIT | 2,708 | 2,772 | 2,064 | 2,743 | 3,199 | 3,337 |
| Operating EBIT Margin (%) | 4.9 | 4.9 | 3.5 | 4.5 | 5.1 | 5.2 |
| Gross Interest Expense | -178 | -423 | -146 | -126 | -120 | -114 |
| Pretax Income (Including Associate Income/Loss) | 2,572 | 2,255 | 2,057 | 2,605 | 3,102 | 3,240 |
| **SUMMARY BALANCE SHEET** | | | | | | |
| Readily Available Cash & Equivalents | 2,392 | 2,208 | 2,526 | 1,489 | 1,128 | 644 |
| Total Debt with Equity Credit | 5,940 | 5,169 | 5,178 | 6,452 | 6,431 | 5,918 |
| Total Adjusted Debt with Equity Credit | 15,268 | 19,929 | 16,706 | 18,306 | 18,642 | 18,424 |
| Net Debt | 3,548 | 2,961 | 2,652 | 4,963 | 5,303 | 5,274 |
| **SUMMARY CASH FLOW STATEMENT** | | | | | | |
| Operating EBITDA | 4,048 | 4,153 | 3,729 | 4,381 | 4,678 | 4,892 |
| Cash Interest Paid | -166 | -188 | -76 | -126 | -120 | -114 |
| Cash Tax | -561 | -548 | -585 | -750 | -875 | -745 |
| Dividends received less Dividends Paid to Minorities (inflow/(out)flow) | -95 | -89 | -123 | -100 | -100 | -100 |
| Other Items Before FFO | -387 | -514 | -763 | -405 | -386 | -383 |
| Funds Flow from Operations | 2,932 | 2,902 | 2,568 | 3,000 | 3,197 | 3,549 |
| Change in Working Capital | -84 | -21 | 788 | -12 | -48 | -36 |
| Cash Flow from Operations (Fitch Defined) | 2,848 | 2,881 | 3,356 | 2,988 | 3,149 | 3,514 |
| Total Non-Operating/Non-Recurring Cash Flow | -73 | 0 | -65 | | | |
| Capital Expenditure | -1,389 | -1,750 | -2,128 | | | |
| Capital Intensity (Capex/Revenues) | 2.5 | 3.1 | 3.6 | | | |
| Common Dividends | -846 | -968 | -1,030 | | | |
| Net Acquistions & Divestitures | -5 | 9 | 0 | | | |
| Other Investing and Financing Cash Flow Items | -1,009 | 427 | 597 | -1,168 | 0 | 0 |
| Net Debt Proceeds | 1,780 | -771 | -69 | 1,274 | -21 | -513 |
| Net Equity Proceeds | -19 | 62 | -31 | -1,000 | 0 | 0 |
| Total Change in Cash | 1,287 | -110 | 630 | -1,037 | -360 | -484 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **DETAIL CASH FLOW STATEMENT** | | | | | | |
| FFO Margin (%) | 5.3 | 5.1 | 4.3 | 4.9 | 5.1 | 5.5 |
| **Calculations for Forecast Publication** | | | | | | |
| Capex, Dividends, Acquisitions & Other Items Before FCF | -2,627 | -3,223 | -3,921 | -3,536 | -3,874 | -3,868 |
| Free Cash Flow after Acquisitions & Divestitures | 535 | 172 | 133 | -143 | -339 | 29 |
| Free Cash Flow Margin After Net Acquisitions (%) | 1.0 | 0.3 | 0.2 | -1.3 | -1.4 | -0.6 |
| **COVERAGE RATIOS** | | | | | | |
| FFO Interest Coverage | 18.4 | 16.2 | 34.2 | 24.5 | 27.5 | 31.9 |
| FFO Fixed Charge Coverage | 2.6 | 2.4 | 2.2 | 2.3 | 2.4 | 2.5 |
| Operating EBITDAR/Gross Interest Expense + Rents | 3.0 | 2.6 | 2.5 | 2.9 | 2.9 | 3.0 |
| Operating EBITDA/Gross Interest Expense | 23.8 | 21.6 | 47.4 | 34.8 | 39.0 | 42.7 |
| **LEVERAGES RATIOS** | | | | | | |
| Total Adjusted Debt/Operating EBITDAR | 2.7 | 3.4 | 2.9 | 2.8 | 2.7 | 2.6 |
| Total Adjusted Net Debt/Operating EBITDAR | 2.3 | 3.0 | 2.5 | 2.6 | 2.5 | 2.5 |
| Total Debt with Equity Credit/Operating EBITDA | 1.5 | 1.3 | 1.4 | 1.5 | 1.4 | 1.2 |
| FFO Adjusted Leverage | 3.2 | 4.1 | 3.6 | 3.5 | 3.4 | 3.1 |
| FFO Adjusted Net Leverage | 2.7 | 3.6 | 3.0 | 3.2 | 3.2 | 3.0 |

### How to Interpret the Forecast Presented

The forecast presented is based on the agency's internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch's own internal deliberations, where Fitch, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch may update the forecast in future reports but assumes no responsibility to do so.

## Rating Navigator



FitchRatings

# Deutsche Post AG

**Corporates Ratings Navigator**
**Generic**

## Operating Environment

| | | | |
|---|---|---|---|
| aa+ | Economic Environment | aa | Very strong combination of countries where economic value is created and where assets are located. |
| aa | Financial Access | a | Strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market. |
| | Systemic Governance | aa | Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa' |
| b- | | | |
| ccc | | | |

## Management and Corporate Governance

| | | | |
|---|---|---|---|
| a+ | Management Strategy | a | Coherent strategy and good track record in implementation. |
| a | Governance Structure | a | Experienced board exercising effective check and balances. Ownership can be concentrated among several shareholders. |
| a- | Group Structure | bbb | Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions. |
| bbb+ | Financial Transparency | a | High quality and timely financial reporting. |
| bbb | Financial Sponsor Attitude (LBO only) | | |

## Sector Competitive Intensity

| | | | |
|---|---|---|---|
| a | Industry Structure | bbb | Larger number of competitors with some track record of price discipline in downturns. |
| a- | Barriers to Entry/Exit | a | Time and significant financial commitment required to enter the industry meaningfully. |
| bbb+ | Relative Power in Value Chain | a | Stronger bargaining power than suppliers and customers. |
| bbb | | | |
| bbb- | | | |

## Sector Trend

| | | | |
|---|---|---|---|
| a- | Long-Term Growth Potential | bbb | Mature industry. Traditional markets may be under some pressure but opportunities arise in new markets. |
| bbb+ | Volatility of Demand | bbb | Demand volatility in line with economic cycles. |
| bbb | Threat of Substitutes | bbb | Facing substitutes of comparable quality but switching costs are significant. |
| bbb- | | | |
| bb+ | | | |

## Company's Market Position

| | | | |
|---|---|---|---|
| a | Market Share | a | Top-three player in most markets or leader in a well defined and protected niche. |
| a- | Competitive Advantage | bbb | Some competitive advantages with reasonably good sustainability. |
| bbb+ | Operating Efficiency | bbb | Return on invested capital in line with industry average. |
| bbb | | | |
| bbb- | | | |

## Diversification

| | | | |
|---|---|---|---|
| aa- | Geographic Diversification | a | Strong diversification but balance between emerging and growth markets could be better. |
| a+ | Product/End-Market | a | Well balanced exposure to at least three business lines or markets with different sensitivity to the economic cycle. |
| a | | | |
| a- | | | |
| bbb+ | | | |

## Profitability

| | | | |
|---|---|---|---|
| bbb | FFO Margin | | 0.1 |
| bbb- | EBIT Margin | | 0.1 |
| bb+ | FCF Margin | | 0.025 |
| bb | Volatility of Profitability | a | Lower volatility of profits than industry average. |
| bb- | EBITDAR Margin | | 0.15 |

## Financial Structure

| | | | |
|---|---|---|---|
| bbb | Lease Adjusted FFO Gross Leverage | bb | 4.0x |
| bbb- | Lease Adjusted FFO Net Leverage | bb | 3.5x |
| bb+ | Net Debt/(CFO - Capex) | bbb | 2.5x |
| bb | Lease Adjusted Gross Debt/EBITDAR | bb | 3.5x |
| bb- | Funding Structure (LBO only) | | |

## Financial Flexibility

| | | | |
|---|---|---|---|
| a | Financial Discipline | a | Clear commitment to maintain a conservative policy with only modest deviations allowed. |
| a- | Liquidity | aa | Very comfortable liquidity; no need to use external funding in the next 24 months. Well-spread debt maturity. Diversified sources of funding. |
| bbb+ | FFO Fixed Charge Cover | bb | 3x |
| bbb | FX Exposure | bbb | Some exposure of profitability to FX movements and/or debt/cash-flow match. Effective hedging in place. |
| bbb- | EBITDAR/(Gross Interest + Rents) | aa | 13x |

**How to Read This Page:** The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

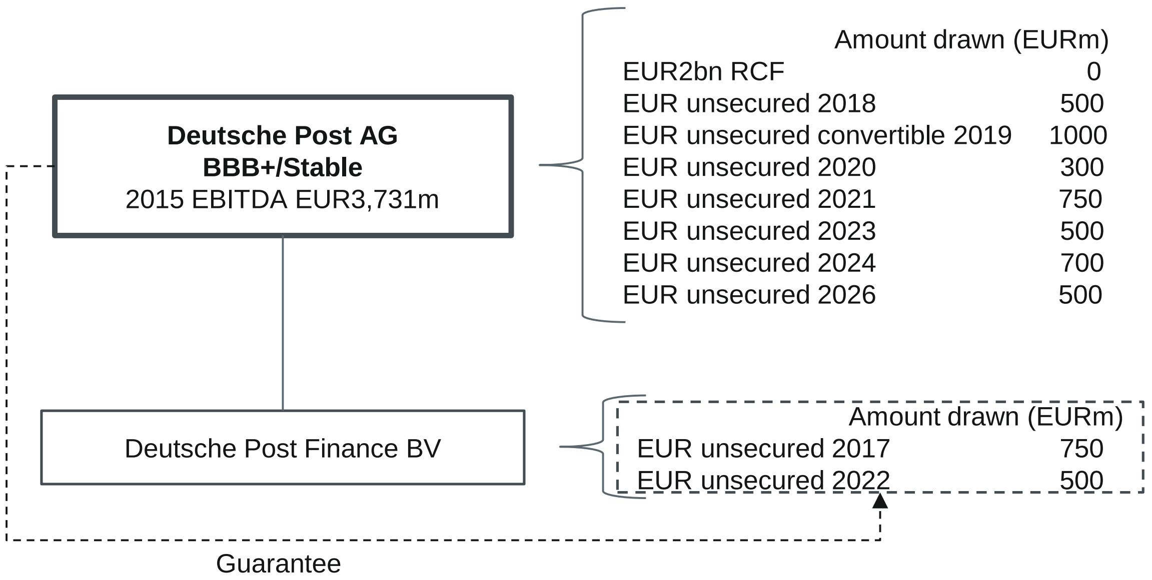
Navigator Version: RN 1.39.44.0

## Peer Financial Summary

| Company | Date | IDR | Gross Revenues (EURm) | Operating EBITDA Margin (%) | FFO Margin (%) | Total Debt with Equity Credit | FFO Interest Coverage | FFO Leverage |
|---|---|---|---|---|---|---|---|---|
| Deutsche Post AG | 2015 | BBB+ | 59,230 | 6.3 | 4.3 | 5,178 | 34.2 | 2.0 |
| | 2014 | BBB+ | 56,630 | 7.3 | 5.1 | 5,169 | 16.2 | 1.8 |
| | 2013 | BBB+ | 55,085 | 7.3 | 5.3 | 5,940 | 18.4 | 2.0 |
| La Poste | 2014 | A+ | 21,771 | 4.0 | 4.7 | 7,005 | 6.9 | 6.8 |
| | 2013 | AA- | 21,621 | 4.1 | 3.8 | 7,103 | 4.9 | 8.4 |
| Poste Italiane S.p.A. | 2015 | BBB+ | 8,426 | 9.7 | 11.1 | 1,775 | 12.2 | 1.9 |
| | 2014 | BBB+ | 8,687 | 7.8 | 8.2 | 2,614 | 6.9 | 3.7 |
| | 2013 | BBB+ | 8,838 | 12.1 | 13.7 | 2,241 | 13.1 | 1.9 |

Source: Fitch

## Simplified Group Structure Diagram




Note:
The arrows highlight the guarantees within the group
Source: Fitch, company fillings. As of June 2016

## Reconciliation of Key Financial Metrics

| (EUR Millions) | 31 Dec 2015 |
|---|---|
| **Income Statement Summary** | |
| Operating EBITDA | 3,729 |
| + Recurring Dividends Paid to Non-controlling Interest | -124 |
| + Recurring Dividends Received from Associates | 1 |
| + Additional Analyst Adjustment for Recurring I/S Minorities and Associates | 0 |
| **= Operating EBITDA After Associates and Minorities (k)** | 3,606 |
| **+ Operating Lease Expense Treated as Capitalised (h)** | 2,096 |
| **= Operating EBITDAR after Associates and Minorities (j)** | 5,702 |
| | |
| **Debt & Cash Summary** | |
| **Total Debt with Equity Credit (l)** | 5,178 |
| + Lease-Equivalent Debt (Operating Lease Expense Treated as Capitalised * Capitalised Lease Multiple) (h*i) | 11,528 |
| + Other Off-Balance-Sheet Debt | 0 |
| **= Total Adjusted Debt with Equity Credit (a)** | 16,706 |
| Readily Available Cash [Fitch-Defined] | 2,526 |
| + Readily Available Marketable Securities [Fitch-Defined] | 0 |
| **= Readily Available Cash & Equivalents (o)** | 2,526 |
| **Total Adjusted Net Debt (b)** | 14,180 |
| | |
| **Cash-Flow Summary** | |
| **Preferred Dividends (Paid) ( f)** | 0 |
| Interest Received | 47 |
| **+ Interest (Paid) (d)** | -76 |
| **= Net Finance Charge (e)** | -29 |
| **Funds From Operations [FFO] ( c)** | 2,568 |
| + Change in Working Capital [Fitch-Defined] | 788 |
| **= Cash Flow from Operations [CFO] (n)** | 3,356 |
| **Capital Expenditures (m)** | -2,128 |
| **Multiple applied to Capitalised Leases (i)** | 5.5 |
| | |
| **Gross Leverage** | |
| **Total Adjusted Debt / Op. EBITDAR* [x] (a/j)** | **2.9** |
| **FFO Adjusted Gross Leverage [x]** | **3.6** |
| Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised leases - Pref. Div Paid) (a/(c-e+g-f)) | |
| **Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)** | **1.4** |
| | |
| **Net Leverage** | |
| **Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)** | **2.5** |
| **FFO Adjusted Net Leverage [x]** | **3.0** |
| Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised leases - Pref. Div Paid) (b/(c-e+g-f)) | |
| **Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))** | **2.2** |
| | |
| **Coverage** | |
| **Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)** | **2.6** |
| **Op. EBITDA / Interest Paid* [x] (k/(-d))** | **47.4** |
| **FFO Fixed Charge Cover [x]** | **2.2** |
| (FFO - Net Finance Charge + Capit. leases - Pref. Div Paid) / (Gross Interest Paid + Capit. leases - Pref. Div Paid) ((c-e+g-f)/(-d+g-f)) | |
| **FFO Gross Interest Coverage [x]** | **34.2** |
| (FFO - Net Finance Charge - Pref. Div Paid) / (Gross Interest Paid - Pref. Div Paid) ((c-e-f)/(-d-f)) | |

* EBITDA/R after Dividends to Associates and Minorities
Source: Fitch based on company reports

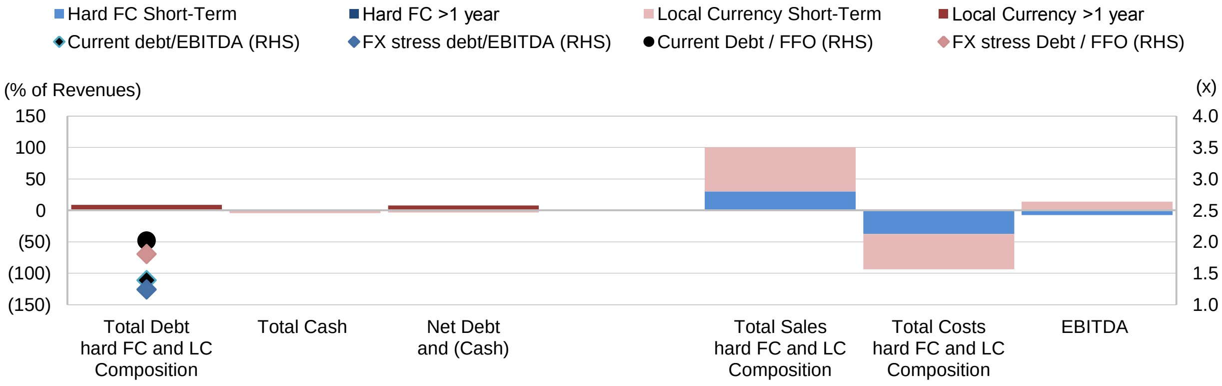
## Fitch Adjustment Reconciliation

| | Reported Values | Sum of Fitch Adjustments | Adjusted Values |
|---|---|---|---|
| | 31 Dec 15 | | |
| **Income Statement Summary** | | | |
| Revenue | 61,624 | -2,394 | 59,230 |
| Operating EBITDAR | 6,170 | -345 | 5,825 |
| Operating EBITDAR after Associates and Minorities | 6,047 | -345 | 5,702 |
| Operating EBITDA | 4,074 | -345 | 3,729 |
| Operating EBITDA after Associates and Minorities | 3,951 | -345 | 3,606 |
| Operating EBIT | 2,409 | -345 | 2,064 |
| **Debt & Cash Summary** | | | |
| Total Debt With Equity Credit | 5,178 | 0 | 5,178 |
| Total Adjusted Debt With Equity Credit | 16,706 | 0 | 16,706 |
| Lease-Equivalent Debt | 11,528 | 0 | 11,528 |
| Other Off-Balance-Sheet Debt | 0 | 0 | 0 |
| Readily Available Cash & Equivalents | 2,526 | 0 | 2,526 |
| Not Readily Available Cash & Equivalents | 1,082 | 0 | 1,082 |
| **Cash-Flow Summary** | | | |
| Cash Interest (Paid) LTM | -76 | 0 | -76 |
| Funds From Operations [FFO] | 2,503 | 65 | 2,568 |
| Change in Working Capital [Fitch-Defined] | 788 | 0 | 788 |
| Cash Flow from Operations [CFO] | 3,291 | 65 | 3,356 |
| Non-Operating/Non-Recurring Cash Flow | 0 | -65 | -65 |
| Capital (Expenditures) | -2,151 | 23 | -2,128 |
| Common Dividends (Paid) | -1,030 | 0 | -1,030 |
| Free Cash Flow [FCF] | 110 | 23 | 133 |
| **Gross Leverage** | | | |
| Total Adjusted Debt / Op. EBITDAR* [x] | 2.8 | | 2.9 |
| FFO Adjusted Leverage [x] | 3.6 | | 3.6 |
| Total Debt With Equity Credit / Op. EBITDA* [x] | 1.3 | | 1.4 |
| **Net Leverage** | | | |
| Total Adjusted Net Debt / Op. EBITDAR* [x] | 2.3 | | 2.5 |
| FFO Adjusted Net Leverage [x] | 3.1 | | 3.0 |
| Total Net Debt / (CFO - Capex) [x] | 2.3 | | 2.2 |
| **Coverage** | | | |
| Op. EBITDAR / (Interest Paid + Lease Expense)* [x] | 2.8 | | 2.6 |
| Op. EBITDA / Interest Paid* [x] | 52.0 | | 47.4 |
| FFO Fixed Charge Coverage [x] | 2.1 | | 2.2 |
| FFO Interest Coverage [x] | 33.3 | | 34.2 |

* EBITDA/R after Dividends to Associates and Minorities

## FX Screener

**Fitch FX Screener**
(Deutsche Post — BBB+/Stable, 7 Sep 16). Hard Currency is USD and Local Currency is EUR




Source: Fitch

## Full List of Ratings

| | Rating | Outlook | Last Rating Action |
|---|---|---|---|
| **Deutsche Post AG** | | | |
| Long-Term IDR | BBB+ | Stable | Affirmed 12 September 2016 |
| Senior unsecured | BBB+ | | Affirmed 12 September 2016 |
| | | | |
| Deutsche Post Finance B.V. | | | |
| Senior unsecured | BBB+ | | Affirmed 12 September 2016 |

## Related Research & Criteria

Criteria for Rating Non-Financial Corporates (September 2016)

Treatment of Operating Leases in Corporate Analysis (September 2015)

Fitch: No Rating Impact on Deutsche Post from UK Mail Acquisition (Sep 2016)

Fitch Affirms Deutsche Post at ‘BBB+’; Outlook Stable (Sep 2016)

Deutsche Post AG: Credit Update (Jun 2016)

Fitch Rates Deutsche Post’s Proposed EUR1.25bn Notes ‘BBB+(EXP)’ (March 2016)

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