Deutsche Post DHL

Deutsche Post DHL
Group results Q4 & FY 2010

# Strategy 2015 continues to deliver

Frank Appel, CEO
Larry Rosen, CFO

Bonn, 10 March 2011

# AGENDA

**Performance overview 2010 (Frank Appel)**

Divisional highlights (Frank Appel)

FY/Q4 2010 Financial performance (Larry Rosen)

2011 Outlook (Larry Rosen)

# 2010 HIGHLIGHTS

## Significant performance improvement

- All guidance metrics achieved or over-achieved
- Solid top line growth to € 51.5bn
- DHL began to reveal full potential
- Mail strategy further detailed and implemented
- Employee satisfaction improved significantly again
- 2010 last year of “Underlying” EBIT reporting
- Solid balance sheet

# GROUP GUIDANCE EXCEEDED

## Underlying EBIT

| | Guidance 2010[1] | Actual 2010 | |
|---|---|---|---|
| Group | € 2.0 – 2.1bn | € 2.2bn | ✓+ |
| Mail | € 1.1 – 1.2bn | € 1.15bn | ✓ |
| DHL divisions | > € 1.3bn | € 1.45bn | ✓+ |
| Corp. Center/ Other | ~ € -0.4bn | ~ € -0.4bn | ✓ |

1) Original guidance for 2010 was: underlying group EBIT of € 1.6 – 1.9bn; MAIL € 1.0 – 1.2bn; DHL € 1.0 – 1.1bn; Corporate Center/ Other € -0.4bn

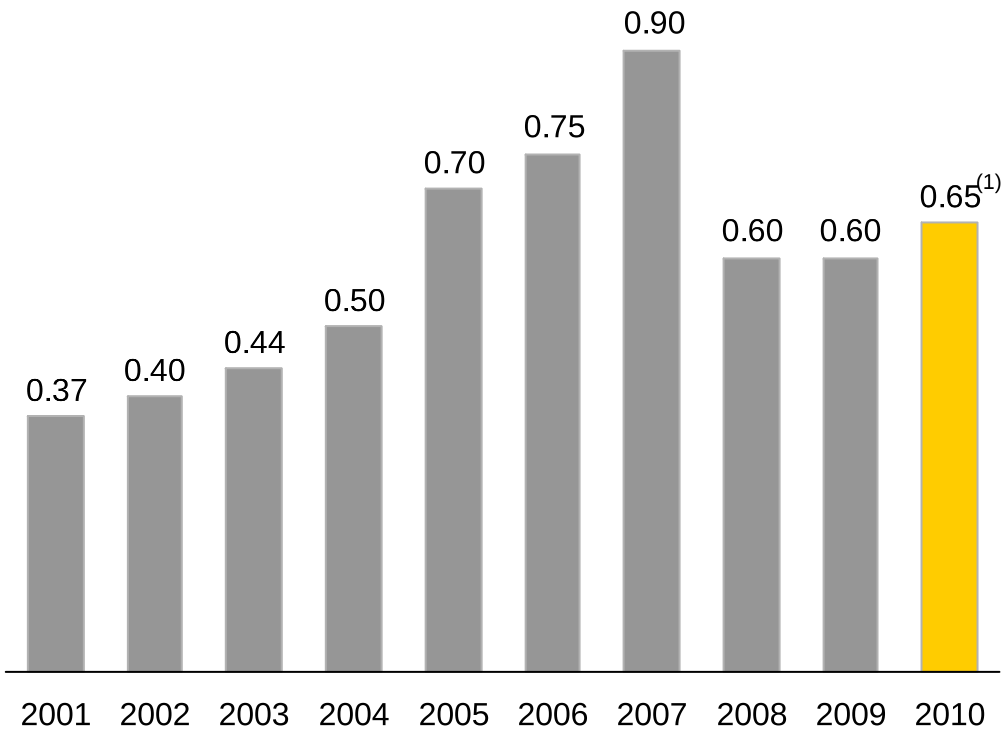
# DELIVERING ON ALL METRICS

| | Guidance 2010 | Actual 2010 | |
|---|---|---|---|
| Capex(1) | ~ € 1.3bn | ~ € 1.26bn | ✓ |
| Restructuring cash out | ~ € 1bn | ~ € 0.8bn | ✓ + |
| Restructuring expenses | ~ € 350m | € 370m | ✓ (–) |
| Net income | above 2009 level of € 644m | € 2.54bn | ✓ + |

1) Original Capex guidance for 2010 was: around € 1.4bn

# DIVIDEND INCREASE TO € 0.65 PROPOSED

## Dividend development since IPO




- We will propose an increase of the dividend of 8.3% to € 0.65 to the AGM
- Adjusted for Postbank effects and non-recurring items this reflects a payout ratio of 59% and is within our target payout ratio of 40 – 60%

1) Proposal to AGM

# CUSTOMER SATISFACTION DEVELOPMENT

- **High satisfaction level further improved in MAIL**
- **Room for improvement at DHL**

Deutsche Post

| Postal services | 2009 | | 2010 |
|---|---|---|---|
| **Mail services** | **2.38** | ↗ | **2.36** |
| **Retail-outlet services** | **2.46** | ↗ | **2.44** |

Detailed scale:
**1 = Completely satisfied**
2 = Very satisfied
3 = Satisfied
4 = Less satisfied
**5 = Unsatisfied**

DHL

| Division | 2009 | | 2010 (Scale of 100) |
|---|---|---|---|
| **Global Forwarding** | **71** | → | **71** |
| **Freight** | **74** | → | **74** |
| **Supply Chain** | **66**(1) | ↗ | **70** |
| **Express** | | | **78**(2) |

Source (lhs): Kundenmonitor Deutschland (external customer-satisfaction study by ServiceBarometer AG) ; Source (rhs): Divisional customer satisfaction surveys;
1) Here survey result 2008, no survey in 2009; 2) No Survey in 2009, survey 2008 not comparable

# MAIL:
# GROWING IN PARCEL & DIGITAL SERVICES

| Traditional parcel business | Ongoing network redesign for further growth |
|---|---|
| | • New parcel network (faster, more efficient, more capacity, more flexible pick-up times) |

| Digital strategy | Take our core business model into the digital world |
|---|---|
| **Mail Communication** | **Secure communication**<br>• E-Postbrief |
| **Dialogue Marketing** | **Efficient and targeted online advertising**<br>• Allesnebenan.de • nugg.ad |
| **Press Services** | **Pioneer a marketplace for quality journalistic content**<br>• DieRedaktion.de |
| **E-Commerce** | **Facilitating online shopping and parcel shipment**<br>• MeinPaket.de • DHL eParcel |

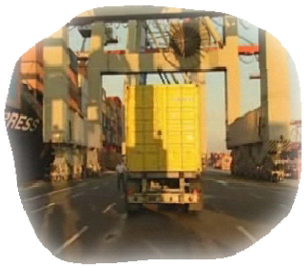
# DHL: DRIVING GROWTH ON GLOBAL SCALE



Examples

**Regions**

- Accelerate growth in high-growth regions
  - e.g. new free trade zone facility in Chennai, India
- Further grow U.S. TDI(1) volumes and leading logistics platform



**Sectors**

- Expand global sector-specific infrastructure for Life Sciences & Healthcare, Technology & Energy
  - e.g. dedicated teams with industry experience
  - e.g. new oil & energy competence centre in Dubai

**Customers**

- Develop high-potential customers
  - e.g. set up of “Fast Growing Enterprises Unit”
- Leverage traditional customer relationships into high-growth regions

**Products**

- Recall Solution pilots in mid-2011
  - (e.g. with consumer electronics customers)
- Real-time shipment tracking developed for forwarding
- Leading Cold Chain solution in place

1) TDI = Time Definite International

Employer of Choice

# EMPLOYEE OPINION SURVEY 2010

Deutsche Post DHL

## EMPLOYEE SATISFACTION SIGNIFICANTLY IMPROVED

EVERY ONE COUNTS
Employee Opinion Survey

- 79% participation rate on group level (+3% yoy)
- Employee buy-in into strategic path, overall company culture and willingness to contribute
- Significant improvements along all KPIs, e.g.:
  – employee satisfaction (+6% yoy)
  – confidence in strategy (+9% yoy)
  – active leadership (+5% yoy)
  – collaboration (+6% yoy)

# AGENDA

Performance overview 2010 (Frank Appel)

**Divisional highlights (Frank Appel)**

FY/Q4 2010 performance (Larry Rosen)

2011 Outlook (Larry Rosen)

# HIGHLIGHTS MAIL 2010

Deutsche Post DHL

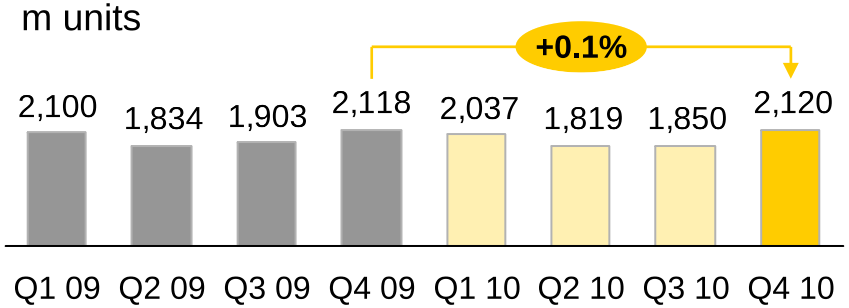
| € m | FY 2009 | FY 2010 | Chg. |
|---|---|---|---|
| Revenue | 13,912 | 13,821 | -0.7% |
| Underlying EBIT | 1,423 | 1,152 | -19.0% |

## Milestones

- New VAT regulation impacting Mail as expected
- Parcel Germany with continued strong growth
- First successful steps into digital business: e.g. launch of E-Postbrief, MeinPaket.de
- Global Mail: continued optimization of business portfolio

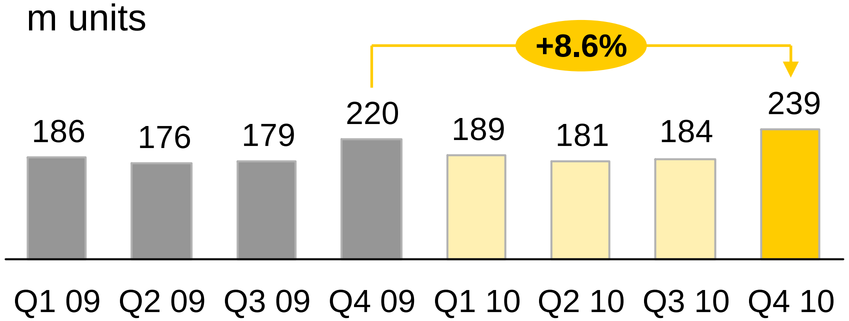
## Mail communication volumes

m units



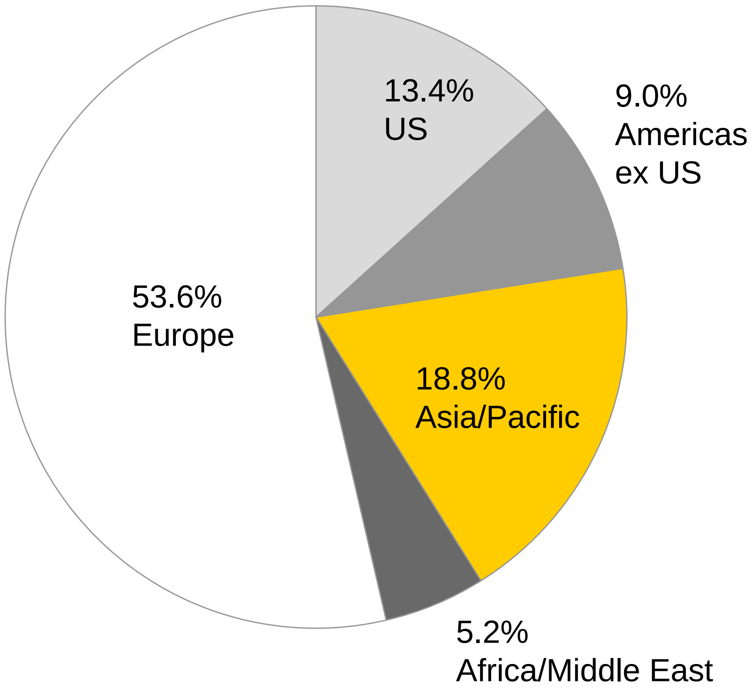

## Parcel volumes

m units

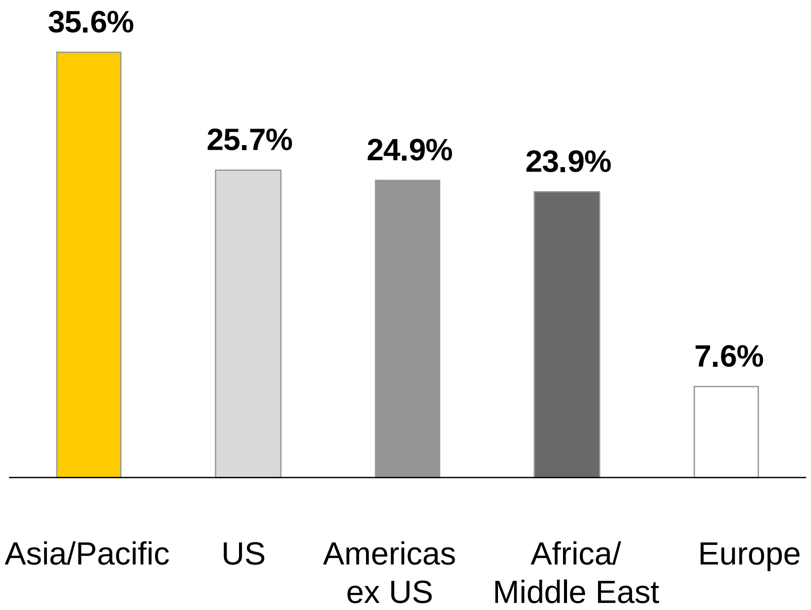


## DHL with unparalleled presence in fast growing regions

### DHL FY 2010 revenue by region




### DHL FY 2010 revenue growth by region yoy



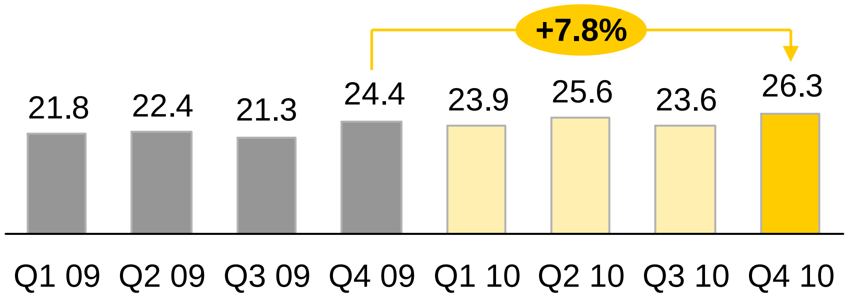
# HIGHLIGHTS EXPRESS 2010

| € m | FY 2009 | FY 2010 | Chg. |
|---|---|---|---|
| Revenue | 9,917 | 11,111 | 12.0% |
| Underlying EBIT | 235 | 785 | >100% |

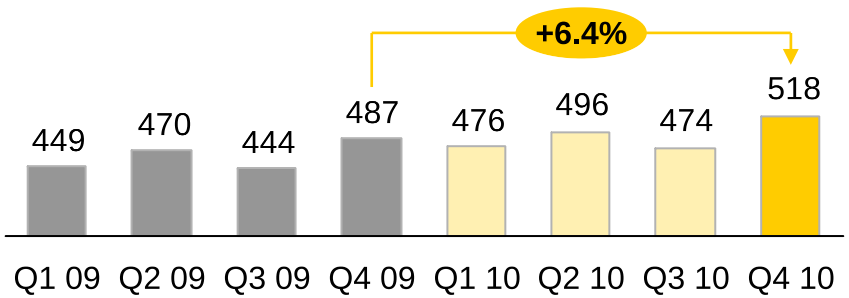
## Milestones

- Intense focus on international Express
- Significant margin improvement due to
  - Operational efficiencies
  - Exit from loss-making domestic businesses in EU
  - Significant improvement in US

## Time Definite International (TDI) – Revenues per day(1) in € m




## Time Definite International (TDI) – Shipments per day '000s




1) Currency translation impacts are eliminated. Hence, 2009 and 2010 data are aggregated with the same currency rate

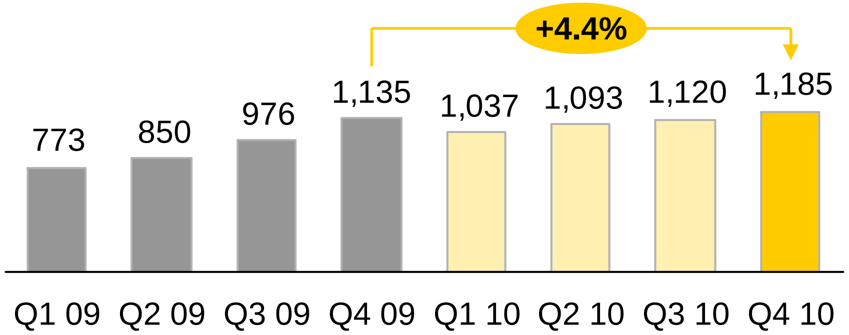
# HIGHLIGHTS FORWARDING, FREIGHT 2010

| € m | FY 2009 | FY 2010 | Chg. |
|---|---|---|---|
| Revenue | 11,243 | 14,341 | 27.6% |
| Underlying EBIT | 275 | 390 | 41.8% |

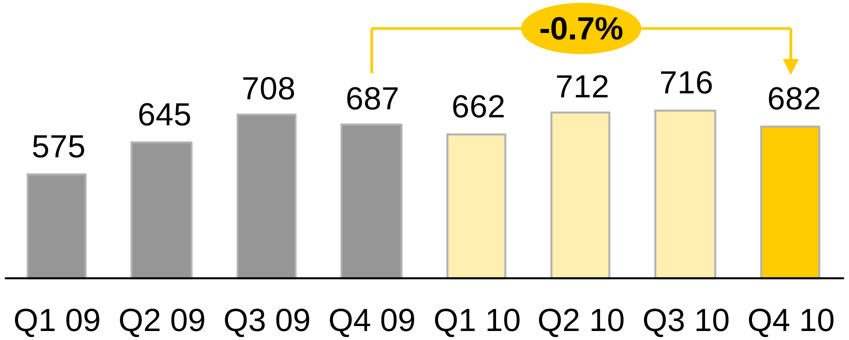
## Milestones

- Strong revenue growth due to new business wins, higher freight rates as well as FX-effects
- Operational productivity at all time high
- Overall improvement in gross profit margin due to more selective growth and stabilizing freight rates
- Turnaround in DHL Freight far advanced

## Air freight '000s Tons




## Ocean freight '000s TEU[1]




1) Twenty Foot Equivalent Unit

# HIGHLIGHTS SUPPLY CHAIN 2010

| € m | FY 2009 | FY 2010 | Chg. |
|---|---|---|---|
| Revenue | 12,183 | 13,301 | 9.2% |
| Underlying EBIT | -132(1) | 274 | NA |

## Milestones

- Revenues continue to increase due to upturn in existing business activity and new business wins
- Loss of Arcandor business and exit from unprofitable contracts dampened revenue growth
- New business of around € 1.1bn in annualized revenue won in 2010 (Q4: € 400m)

## Business win examples

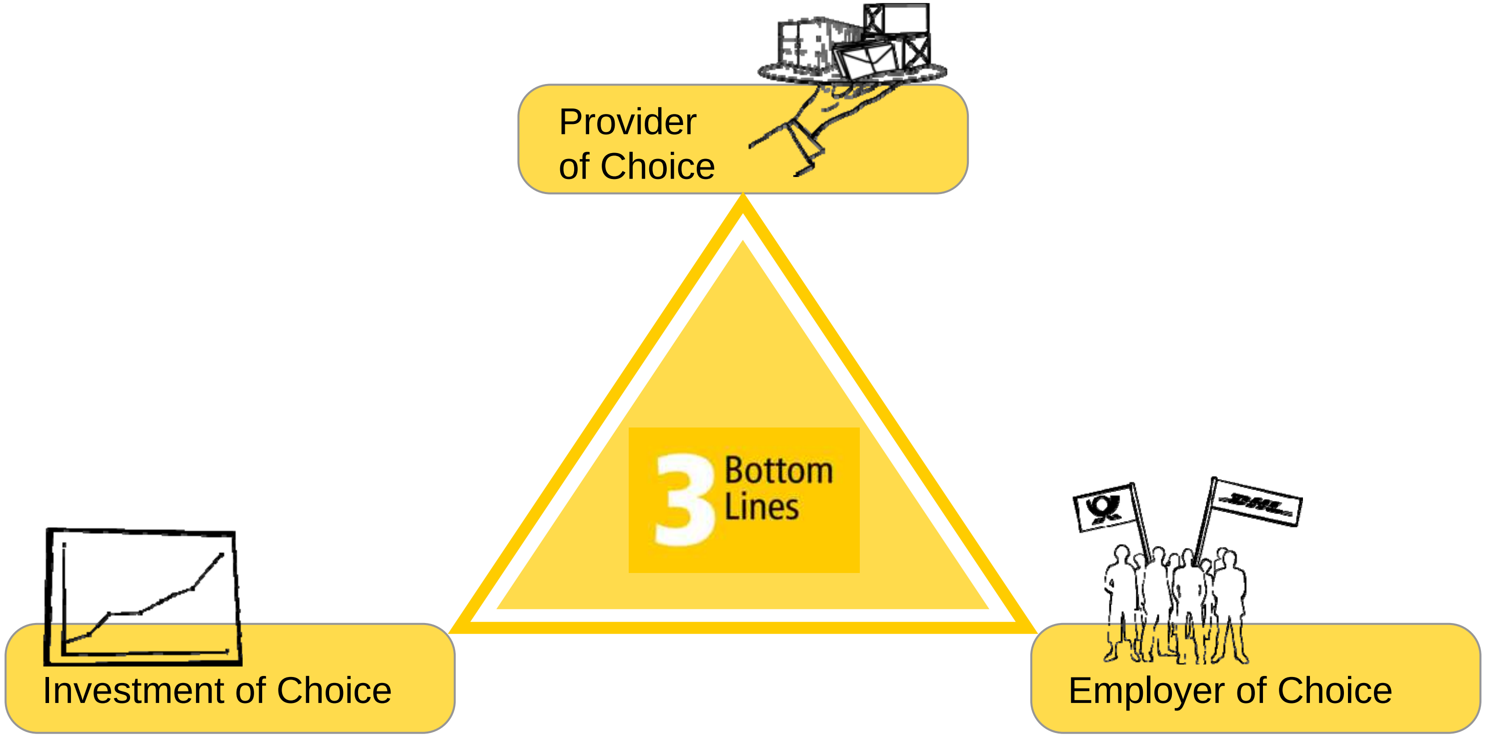
### China

- After market Parts Distribution Center (PDC) services in ZhengZhou, Henan Province.
- Services include amongst others: receiving, inspection, inventory storage & management, order pick/pack

### Australia

- Industry changing solution to streamline the supply chain to allow efficient direct distribution from Pfizer to community pharmacies

1) Includes charges related to Arcandor of € -213m and costs incurred in Europe related to certain onerous contracts and impairment charges relating to legacy properties of € -97m


Provider
of Choice
3 Bottom
Lines
Investment of Choice
Employer of Choice

# AGENDA

Deutsche Post DHL

Performance overview 2010 (Frank Appel)

Divisional highlights (Frank Appel)

**FY/Q4 2010 performance (Larry Rosen)**

2011 Outlook (Larry Rosen)

# GROUP P&L FY 2010

## Significant improvement over previous year across all metrics

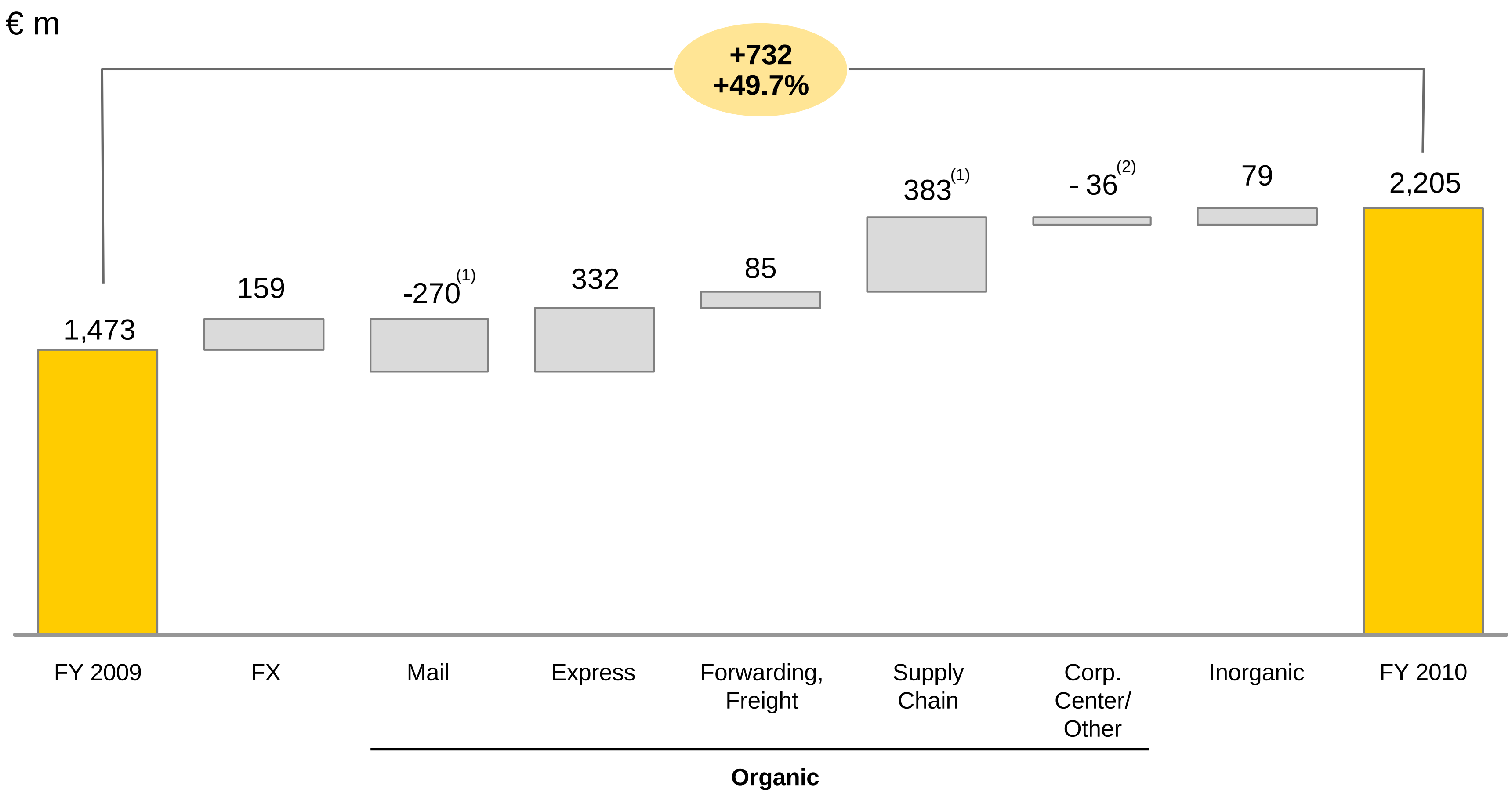
| € m | FY 2009 | FY 2010 | Chg. |
|---|---|---|---|
| Revenue | 46,201 | 51,481 | 11.4% |
| Reported EBIT | 231(1) | 1,835 | >100% |
| Underlying EBIT | 1,473(1) | 2,205 | 49.7% |
| Financial result | 45 | 989 | >100% |
| Taxes | -15 | -194 | >100% |
| Consolidated net profit(2) | 644 | 2,541 | >100% |
| EPS (in €) | 0.53 | 2.10 | >100% |

- Overall strong **revenue development** (+7.8% organic) driven by DHL. FX-effects contribute 4.5%
- **EBIT** improvement driven by DHL units including significantly lower restructuring charges
- Actual **underlying EBIT** outperformed guidance of € 2.0 – 2.1bn
- **FY 2010 Financial result** was impacted by Postbank effects of € +1,569m compared to € +651m last year

1) Includes effects in 2009 of € -247m charges related to Arcandor: € -213m SUPPLY CHAIN and € -34m in MAIL; also includes costs incurred in Europe related to certain onerous contracts and impairment charges relating to legacy properties in Supply Chain of € -97m; 2) Attributable to Deutsche Post AG shareholders

# UNDERLYING EBIT DEVELOPMENT FY 2010

## EBIT growth in all DHL divisions




1) Includes effects in 2009 of € -247m charges related to Arcandor: € -213m SUPPLY CHAIN and € -34m in MAIL; also includes costs incurred in Europe related to certain onerous contracts and impairment charges relating to legacy properties in Supply Chain of € -97m; 2) Delta vs last year includes central currency hedging effects of € -101m

# HIGHLIGHTS Q4 2010

## Business performance fully on-track


- Strong DHL revenue growth continued
- Express TDI volumes continue to grow strongly
- Global Forwarding margins increased as freight rates stabilized
- Accelerated revenue growth in Supply Chain
- MAIL performance impacted by VAT and E-investments as expected

# GROUP P&L Q4 2010

## Continued good performance in Q4

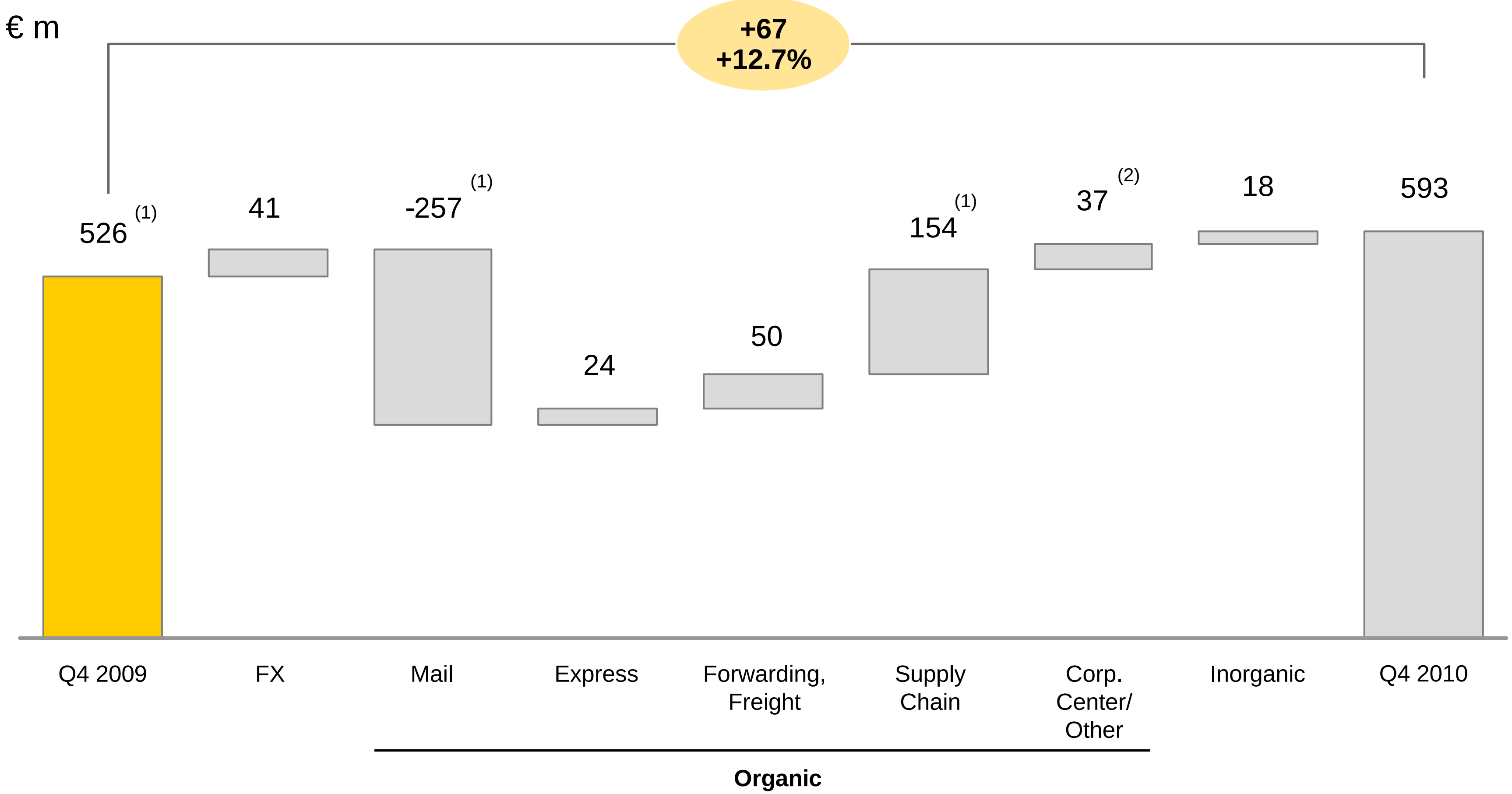
| € m | Q4 2009 | Q4 2010 | Chg. |
|---|---|---|---|
| Revenue | 12,389 | 13,871 | 12.0% |
| Reported EBIT | -136(1) | 525 | NA |
| Underlying EBIT | 526(1) | 593 | 12.7% |
| Financial result | -255 | 25 | NA |
| Taxes | 118 | -32 | NA |
| Consolidated net profit(2) | -283 | 487 | NA |
| EPS (in €) | -0.24 | 0.40 | NA |

- Continued strong **revenue development** (+7.9% organic) driven by DHL. FX-effects contribute 5.4%
- **EBIT** improved strongly in the DHL divisions while MAIL reflects effect of new VAT regulation and E-investments
- **Q4 2010 Financial result** was impacted by Postbank effects of € +235m compared to € -66m last year

1) Includes effects in 2009 of € -62m charges related to Arcandor: € -48m in SUPPLY CHAIN and € -14m MAIL; also includes costs incurred in Europe related to certain onerous contracts and impairment charges relating to legacy properties in Supply Chain of € -97m; 2) Attributable to Deutsche Post AG shareholders

# UNDERLYING EBIT DEVELOPMENT Q4 2010

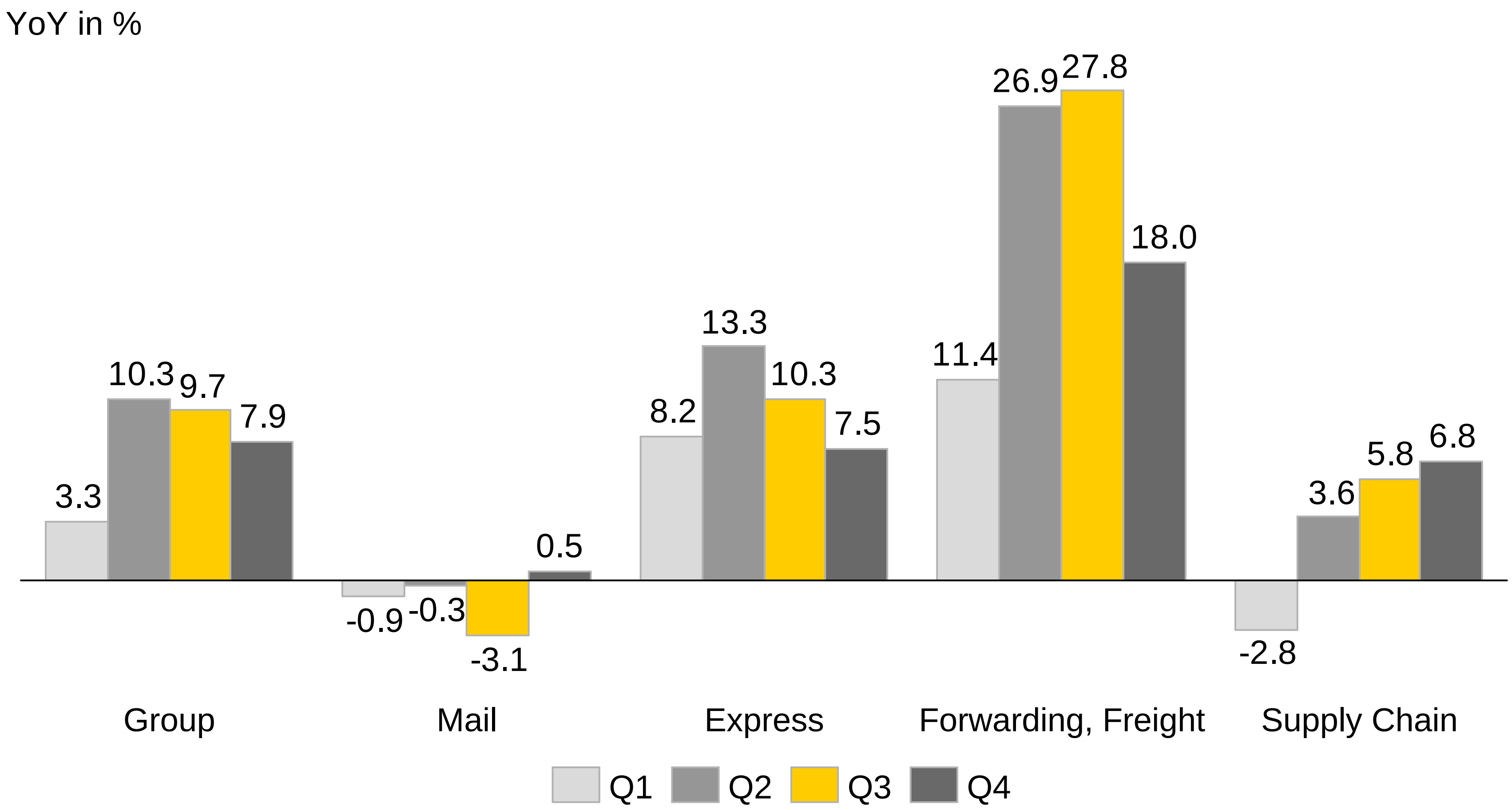
## Strong Q4 EBIT growth in DHL;
## MAIL impacted by introduction of VAT and E-investments




1) Includes effects in 2009 of € -62m charges related to Arcandor: € -48m in SUPPLY CHAIN and € -14m MAIL; also includes costs incurred in Europe related to certain onerous contracts and impairment charges relating to legacy properties in Supply Chain of € -97m; 2) Delta vs last year includes central currency hedging effects of € -17m

# QUARTERLY ORGANIC REVENUE[1] DEVELOPMENT

## Strong organic growth in EXPRESS & GLOBAL FORWARDING, FREIGHT; MAIL in line with expectations on VAT impact




1) Reported revenue adjusted for FX-effects and inorganic effects like acquisitions/divestments

# UNDERLYING OPERATING FREE CASH FLOW Q4 2010

## Decrease in underlying operating free cash flow due to working capital development and higher PP&E

€ m

| | Q4 2009 | Q4 2010 |
|---|---|---|
| Cash from operating activities **before** changes in WC (as reported) | 390 | 602 |
| Changes in Working Capital | 584 | 423 |
| Net cash from operating activities **after** changes in WC (as reported) | 974 | 1,025 |
| Restructuring cash out | -292 | -110 |
| Underlying operating cash flow after changes in WC | 1,266 | 1,135 |
| Cash spend for PP&E(1) | -370 | -425 |
| **Underlying operating free cash flow** | **896** | **710** |

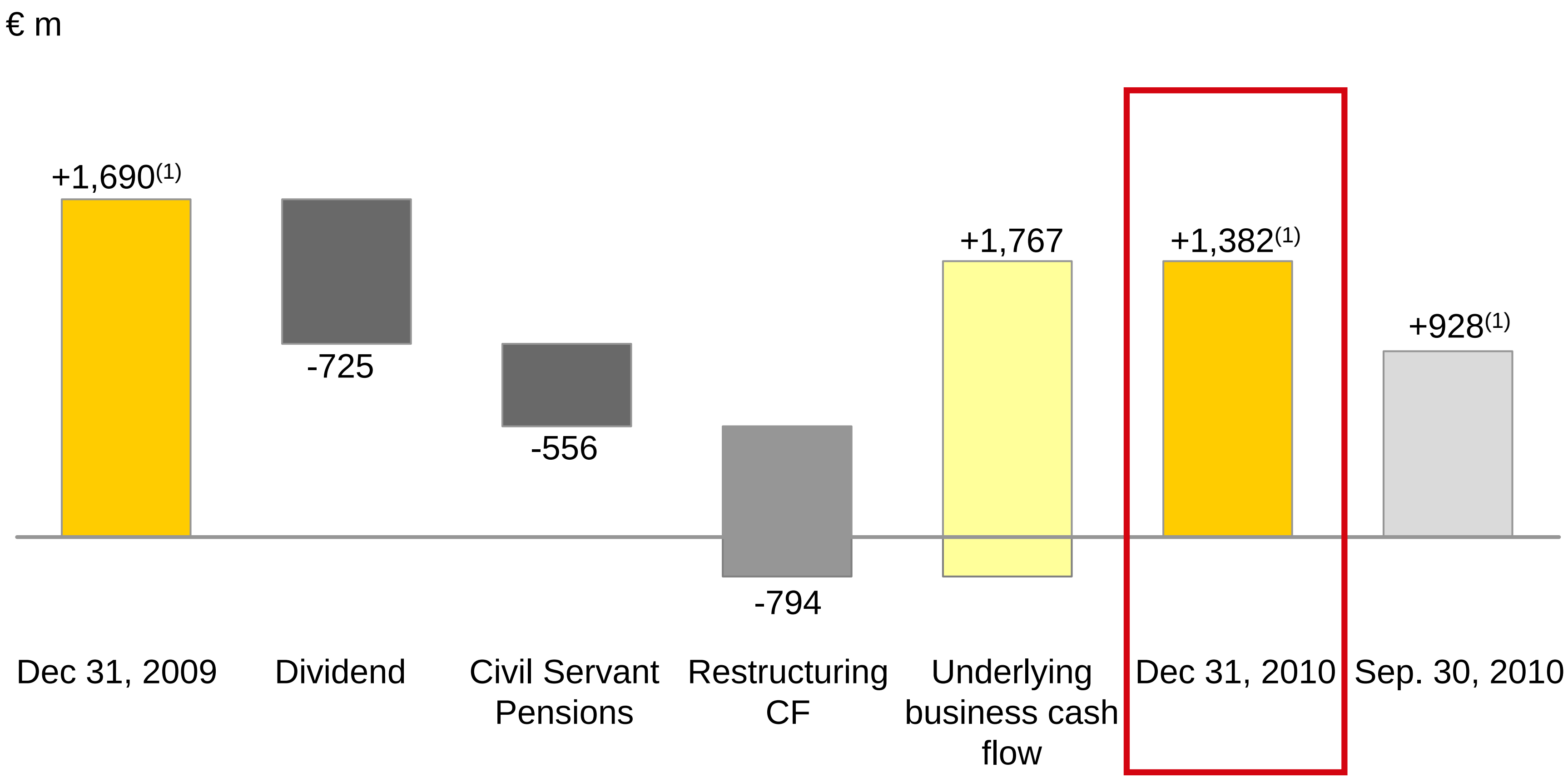
- Despite less cash from working capital, **operating cash flow** increased due to lower restructuring spend and higher EBIT
- **Underlying operating free cash flow** decreased by 21% due to lower contribution of working capital and higher PP&E spend
- **FFO/Debt** at 35.2% (FY 2009: 33.6%)

1) PP&E = property, plant & equipment

## NET DEBT (-) / LIQUIDITY (+) FY 2010

Deutsche Post DHL

### Net financial liquidity increased substantially in Q4




1) Adjusted for mandatory exchangeable bond and cash collateral on put options as well as the effects of the net valuation of the financial derivatives related to the Postbank transaction

## VAT impact, E-investments and year end special bonus burden EBIT

| € m | Q4 2009 | Q4 2010 | Chg. |
|---|---|---|---|
| Revenue | 3,776 | 3,809 | 0.9% |
| Reported EBIT | 504[(1)] | 227 | -55.0% |
| Underlying EBIT | 515[(1)] | 257 | -50.1% |
| Operating Cash Flow | 634 | 608 | -4.1% |
| Capex | 133 | 146 | 9.8% |

- Despite impact of new VAT regulation, **revenues** up yoy mainly due to strong parcel growth and Global Mail
- **EBIT** performance impacted by VAT, E-investments and payment of year end special bonus for all employees
- **Operating cash flow** remains high despite lower EBIT
- **Capex** increased due to investments in state-of-the-art sorting equipment

1) Includes € -14m charges related to Arcandor/Quelle

# EXPRESS – DIVISIONAL RESULTS OVERVIEW Q4 2010

## Underlying EBIT margin improved to 8.2%

| € m | Q4 2009[1] | Q4 2010 | Chg. |
|---|---|---|---|
| Revenue | 2,672 | 2,904 | 8.7% |
| Reported EBIT | -358 | 218 | NA |
| Underlying EBIT | 159 | 239 | 50.3% |
| Operating Cash Flow | 160 | 251 | 56.9% |
| Capex | 95 | 134 | 41.1% |

- **Revenues** increased due to solid TDI performance backed by economic recovery
- **Underlying EBIT** grew significantly due to strong organic revenue growth and higher operational efficiencies
- Sound improvement of **operating cash flow** due to increased profit generation and lower restructuring cash-out
- Higher **Capex** due to network investments in capacity and service improvements

1) Adjusted due to the shift of Sweden domestic business from Express to Freight

## Continued revenue growth and EBIT improvement

| € m | Q4 2009[1] | Q4 2010 | Chg. |
|---|---|---|---|
| Revenue | 3,098 | 3,898 | 25.8% |
| Reported EBIT | 6 | 131 | >100% |
| Underlying EBIT | 70 | 132 | 88.6% |
| Operating Cash Flow | 14 | 141 | >100% |
| Capex | 36 | 34 | -5.6% |

- **Revenues** increased due to new business, higher freight rates and FX-effects
- **Gross profit** improving due to better ability to pass on increased rates in both Air and Ocean freight
- Ongoing cost discipline and higher productivity continue to drive **EBIT**
- Strong growth in operating **cash flow** due to higher EBIT

1) Adjusted due to the shift of Sweden domestic business from Express to Freight

# SUPPLY CHAIN – DIVISIONAL RESULTS OVERVIEW Q4 2010

Deutsche Post DHL

## EBIT improved significantly – Measures to improve profitability successful

| € m | Q4 2009 | Q4 2010 | Chg. |
|---|---|---|---|
| Revenue | 3,129 | 3,568 | 14.0% |
| Reported EBIT | -172[(1)] | 43 | NA |
| Underlying EBIT | -102[(1)] | 59 | NA |
| Operating Cash Flow | 204 | 110 | -46.1% |
| Capex | 60 | 81 | 35.0% |

**Contracts won – Annualized revenue Supply Chain**

| | | | |
|---|---|---|---|
| New gains | 250 | 400 | |
| Renewal rate | 91% | 88% | |

- **Revenue** growth accelerated due to increased volume, new business wins and favourable FX-effects
- Increased profitability across all regions and the absence of Arcandor related charges lead to substantially increased **EBIT**. Year end special bonus impacted EBIT by € 21m
- **Operating cash flow** down due to working capital development
- Sound new **business wins** and stable high **renewal rate** supported by an improving economic climate

1) Includes € -48m charges related to Arcandor/Quelle; also includes costs incurred in Europe related to certain onerous contracts and impairment charges relating to legacy properties in Supply Chain of € -97m

# IMPACT OF POSTBANK TRANSACTION ON THE P+L

## Financial result

| € m | 2009 | 2010 |
|---|---|---|
| **Net income from associates** | **28** | **56** |
| **Net other financial income / cost** | **17** | **933** |
| t/o Postbank-related | 632 | 1,517 |
| t/o not Postbank-related | -615 | -584 |
| **Total financial income / cost** | **45** | **989** |
| t/o Postbank-related | 651 | 1,569 |
| t/o not Postbank-related | -606 | -580 |

- The financial result is mainly impacted by
  - at equity result of Postbank
  - Postbank transaction valuation effects
  - interest component for mandatory exchangeable bond and cash collateral
- 2010 financial result excluding Postbank related effects was -580m

## Reclassification of Postbank shares as ‘Assets held for sale’

| | Share price < ~ € 21.00 | Share price > ~ € 21.00 |
|---|---|---|
| | • Mark to market valuation of investment<br>• Offset by mark to market valuation of derivatives | • Value of investment capped at ~ € 21.00<br>• Mark to market valuation of derivatives |
| **Impact 2011** | | |
| Interest component | € -180m p.a. | € -180m p.a. |
| Valuation | no significant impact | - € 90m per € 1 increase in Postbank share price and vice versa |

# AGENDA

Performance overview 2010 (Frank Appel)

Divisional highlights (Frank Appel)

FY/Q4 2010 Financial performance (Larry Rosen)

**2011 Outlook (Larry Rosen)**

# EBIT FULL-YEAR 2011 GUIDANCE

- **Double-digit DHL EBIT growth in 2011[1]**
- **Mail result stabilizing**

| | 2011 |
|---|---|
| Group | € 2.2 – 2.4bn |
| Mail | € 1.0 – 1.1bn |
| DHL divisions | € 1.6 – 1.7bn |
| Corp. Center/ Other | ~ € -0.4bn |

- Net profit excl. Postbank transaction effects to improve in line with operational performance
- Capex not more than € 1.6bn
- Tax rate of 25%
- Restructuring will have a considerably lower influence on operating cash flow than last year (in 2011 c. € 200m cash outflow)

**Mid-term guidance confirmed**

1) Compared to underlying EBIT in 2010

# WRAP UP


- Group strategy continues to deliver
- Major restructuring phase is behind us
- Fully on track to achieve mid-term targets
- Increased dividend for 2010

Deutsche Post DHL

Deutsche Post DHL
Group results Q4 & FY 2010

# Strategy 2015 continues to deliver

Frank Appel, CEO
Larry Rosen, CFO

Bonn, 10 March 2011