

Capital Markets Day 2010

From good performance to great performance

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Frankfurt, 23 November 2010

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# AGENDA

## Introduction

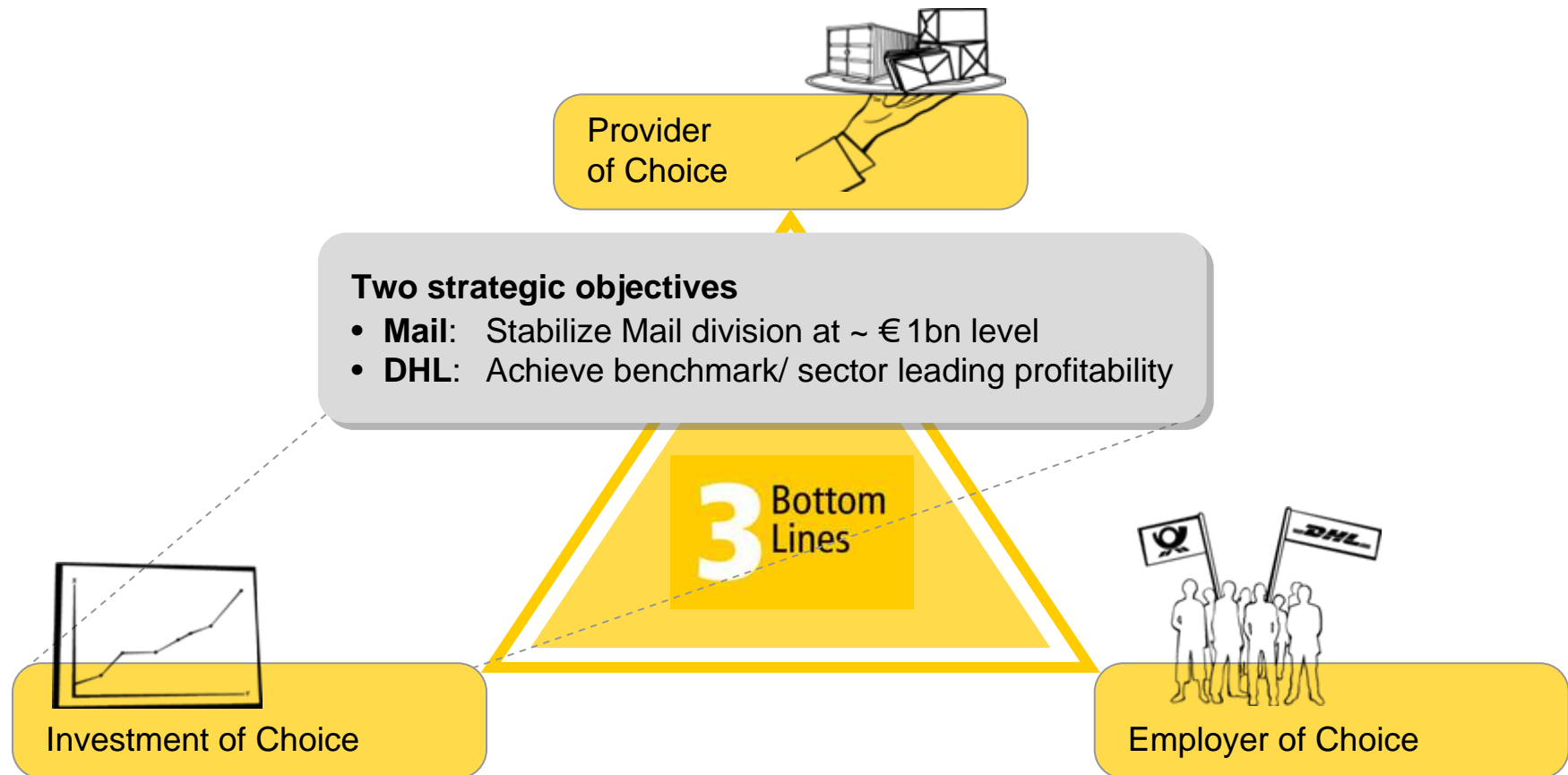
Cash flow management

Finance and shared service centre strategic initiatives

Finance strategy

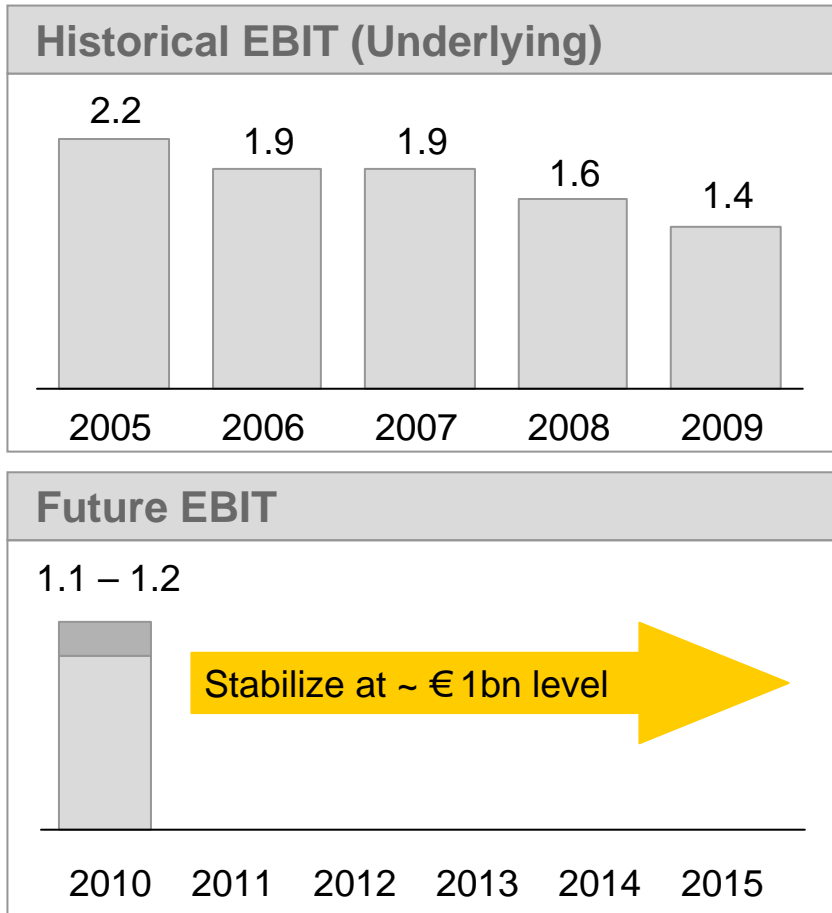
Financial aspiration

# KEY STRATEGIC PRIORITIES AND OBJECTIVES



# MAIL – STABILIZE CONTRIBUTION TO GROUP RESULTS

in m EUR

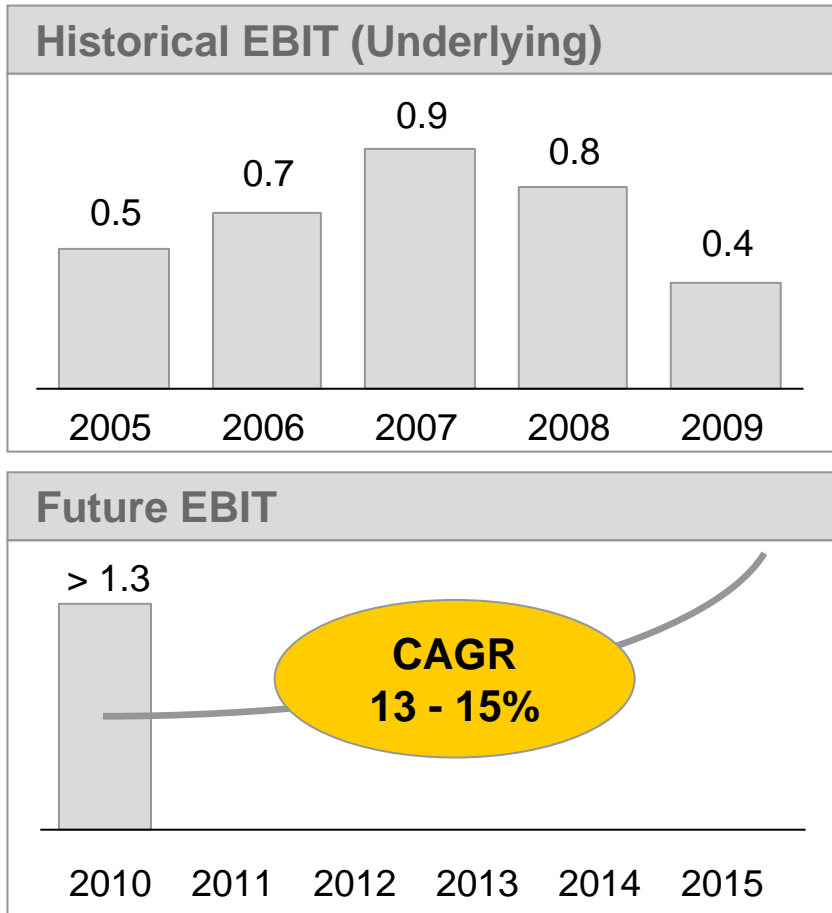


## Primary levers

- Strategic renewal initiatives
  - E-Postbrief
  - Sorting center upgrades
- Service levels
- Pricing
- Cost management

# DHL – ACHIEVE BENCHMARK/ SECTOR LEADING PROFITABILITY

in m EUR



## Primary levers

- Growth
  - Dedicated divisional growth initiatives
  - Cross divisional growth initiatives
- Innovation
- Cost management

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# CASH FLOW MANAGEMENT

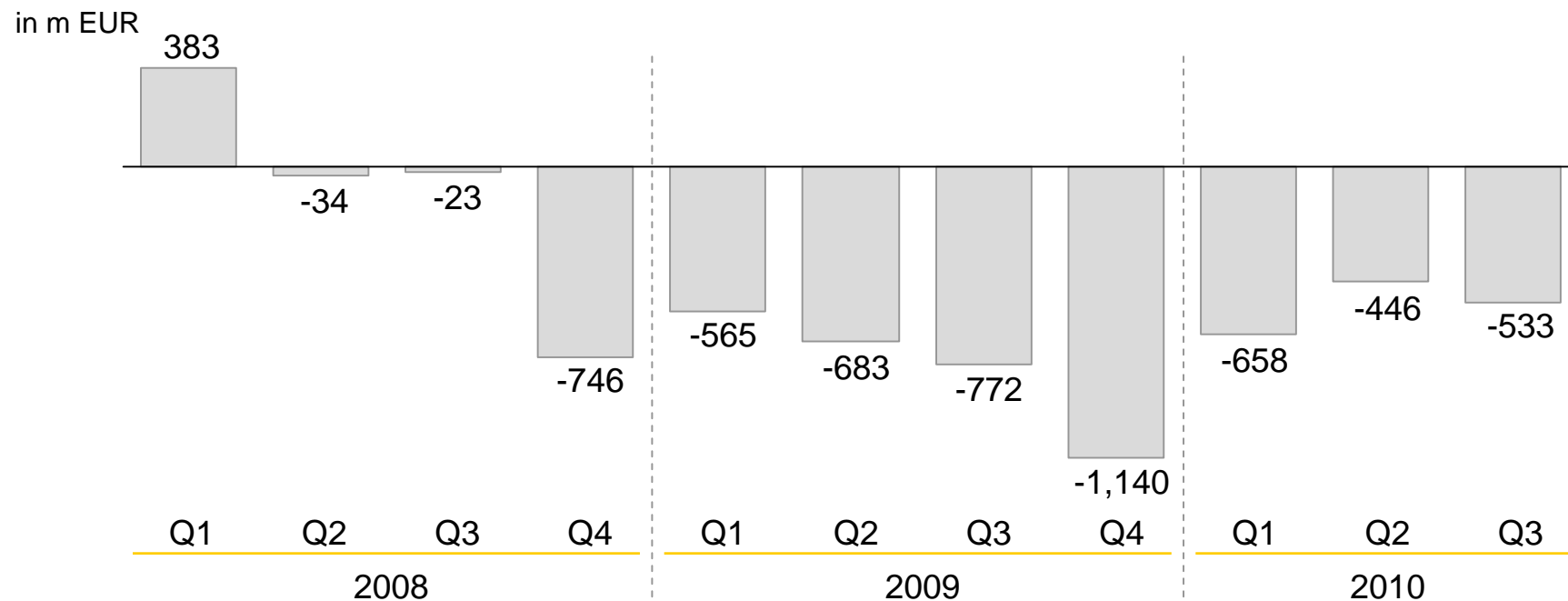
**We continue to focus on cash generation with strategic and operative management as well as innovative tools**

Working Capital management  
– DSO/ DPO management

Introduction of Supplier Finance

# WORKING CAPITAL MANAGEMENT

**We significantly reduced our working capital during the last years**

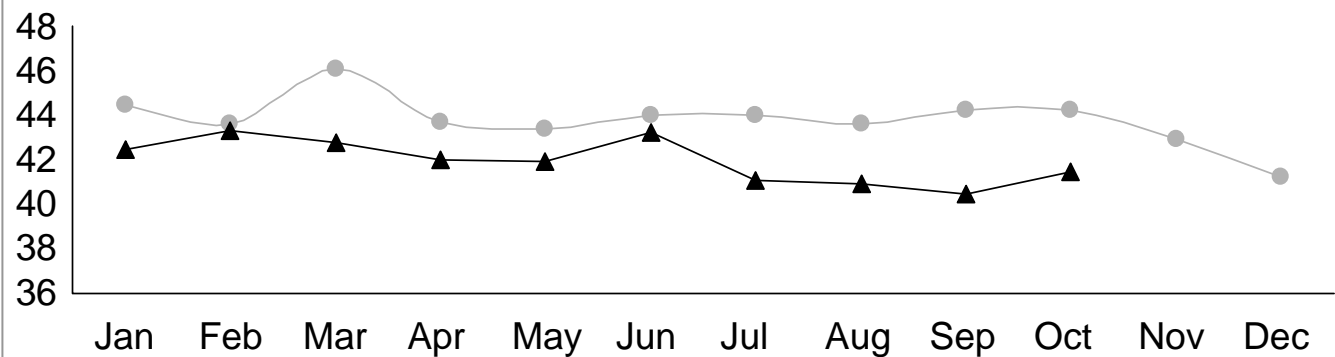


- Significant working capital reductions achieved with Roadmap to Value program
- Ongoing monthly review of working capital performance with divisions
- Net working capital above LY due to recovery of business in DGF/F
- Significant Net Working capital reduction in Supply Chain

# OPERATIVE DSO AND DPO MANAGEMENT

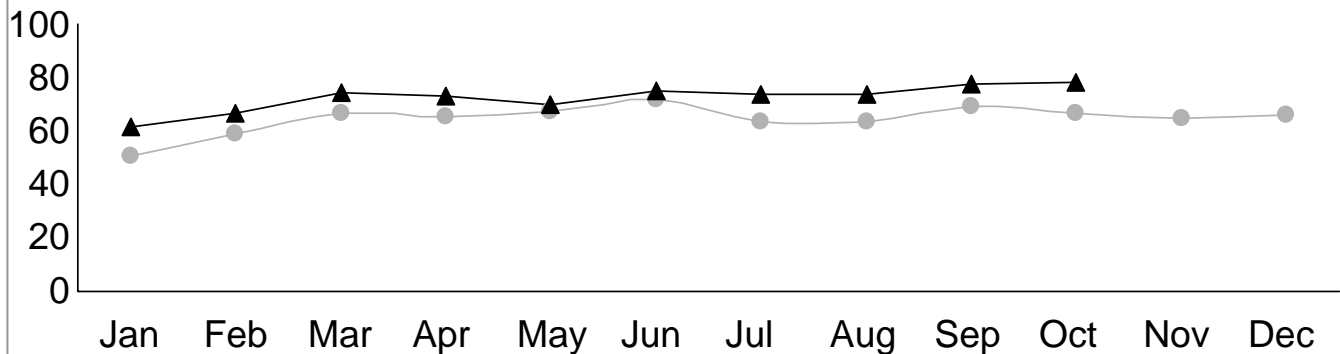
## We closely manage our Days Sales Outstanding and Days Payable Outstanding

### Days Sales Outstanding Express



- Improved DSO despite higher gross sales

### Days Payable Outstanding Express

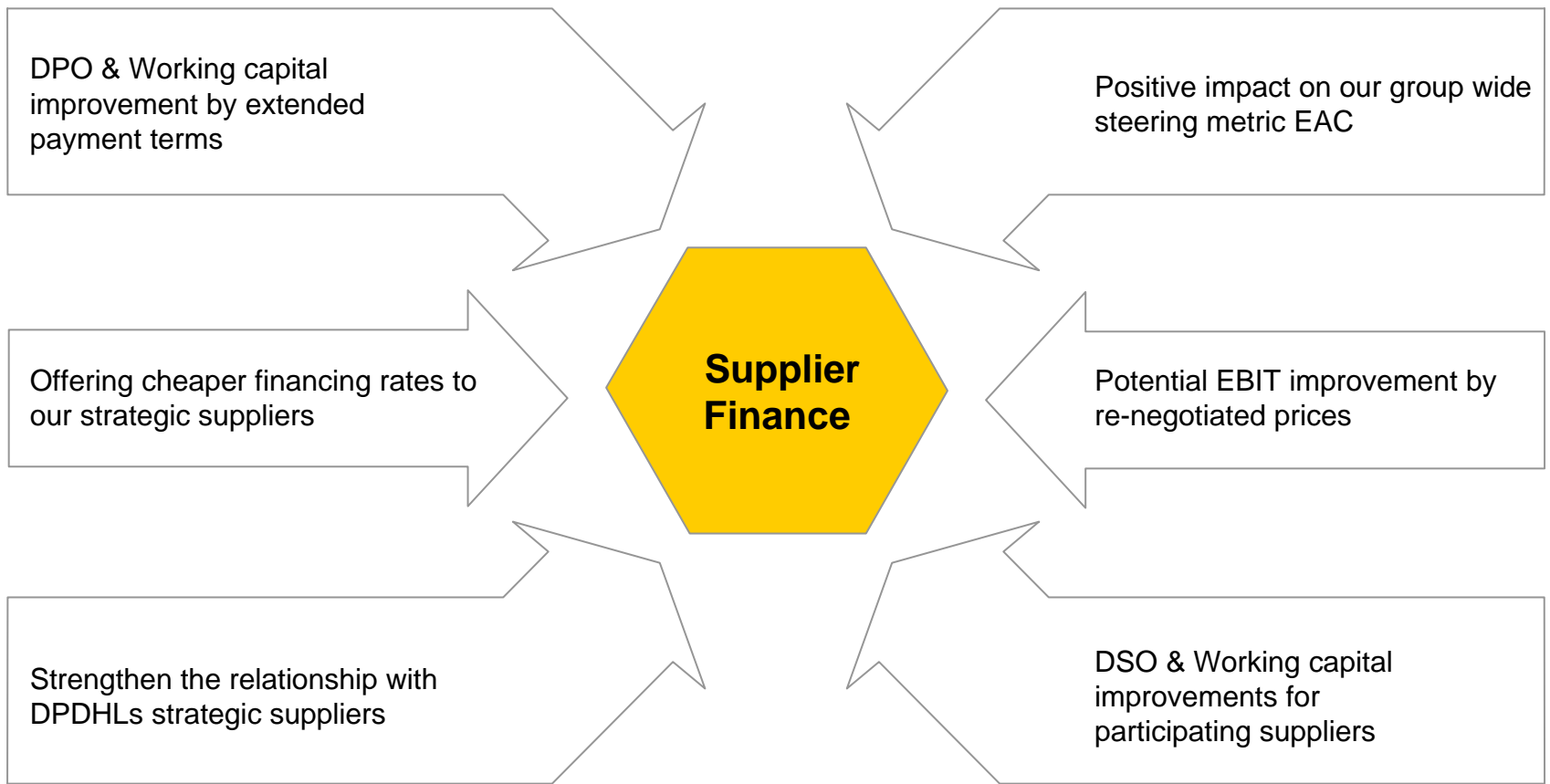


- DPO continues to improve mainly driven by well controlled payables position

—●— Actual 2009 —▲— Actual 2010

# SUPPLIER FINANCE

**Supplier Finance is an innovative method for working capital management and creates a win-win situation for DPDHL and suppliers**



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# STRATEGIC INITIATIVES IN FINANCE

## The Finance Organization focuses supporting our Group's strategy

### Governance

- Participation management
- Reduction of legal entities
- Subsidiary capitalization and dividend targets

### Billing

- Definition of new steering KPIs
- Creation of measures to improve accuracy, completeness and timeliness

### Reporting and KPIs

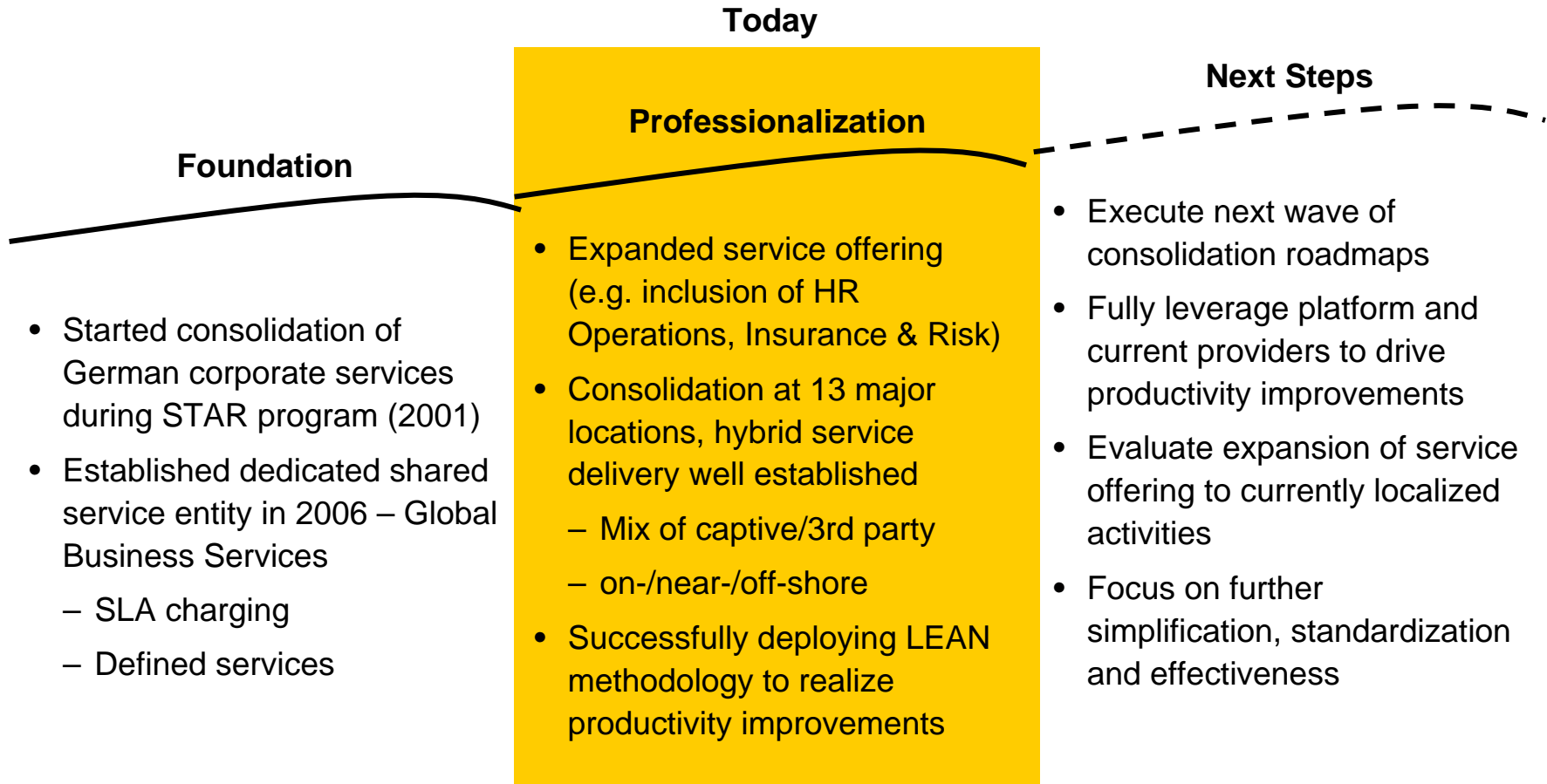
- Review/ refine of divisional and Group steering metrics
- Streamlining of reporting

### Career Paths

- Alignment of job families to simplify cross-divisional and cross-functional careers

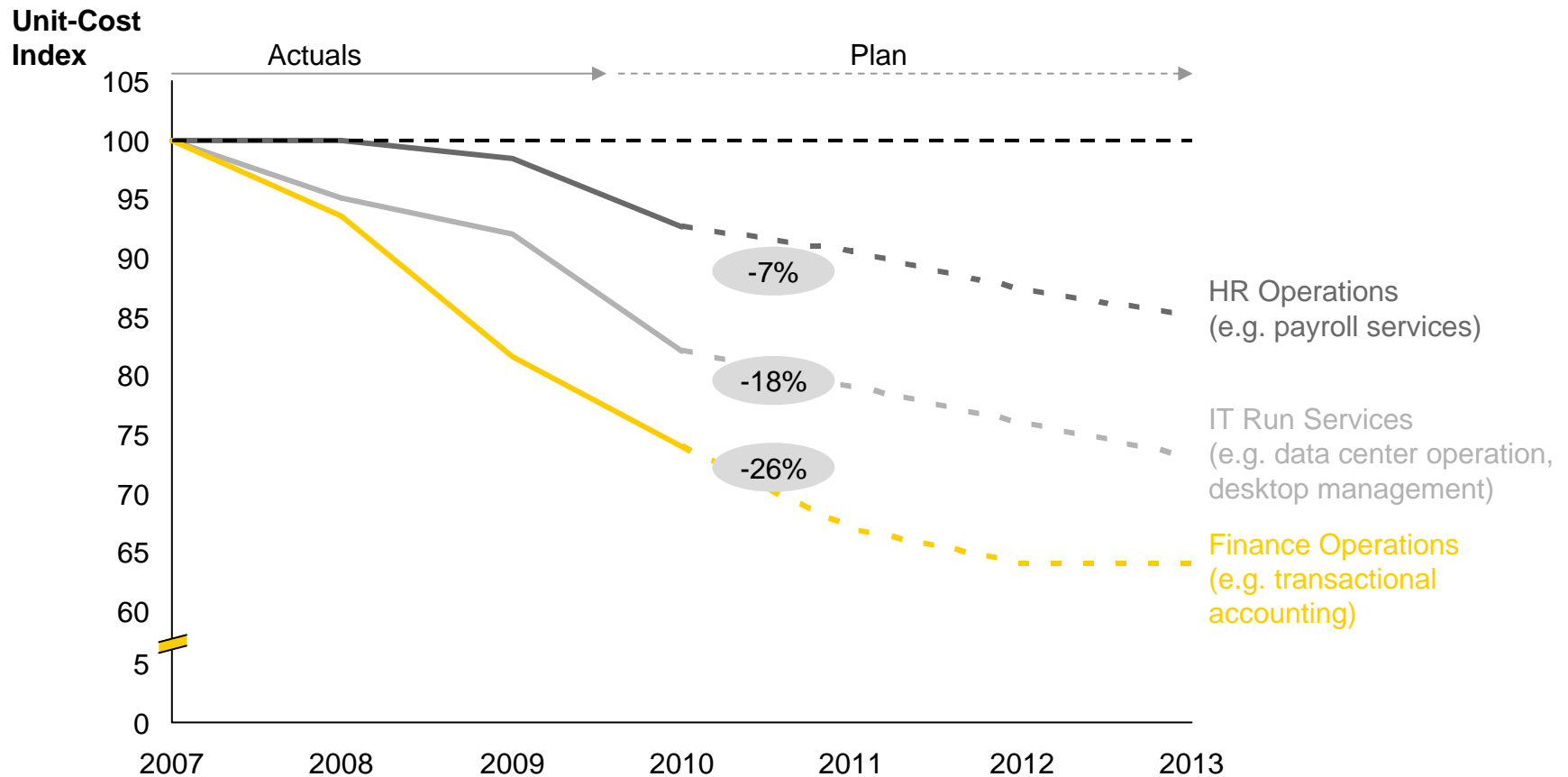
# EVOLUTION OF GROUP SHARED SERVICES

**We continue to optimize productivity and effectiveness of our global business functions with our shared service organization**



# ACHIEVEMENTS OF SHARED SERVICES IN COST EFFICIENCY

**We are seeing major progress in shared services and plan to take these even further**



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# OVERVIEW DP DHL FINANCE STRATEGY

**A target balance sheet structure is the leading element of our finance strategy**

## Fundamental finance objectives

- Reliability
- Predictability
- Strategic flexibility
- Low cost of capital
- Clear steering metric

### Balance sheet structure

Target / maintain BBB+ rating

### Dividend policy

40 – 60% of net profit  
(cash flow / continuity considered)

### Priority for use of excess liquidity

1. Invest in business
2. Fund pensions
3. Increase rating to A-
4. Special dividend, share buyback

### Financial debt portfolio

- Syndicated bank facilities
- Bonds

# FINANCE STRATEGY: TARGET RATING

## Transport is a BBB+ industry

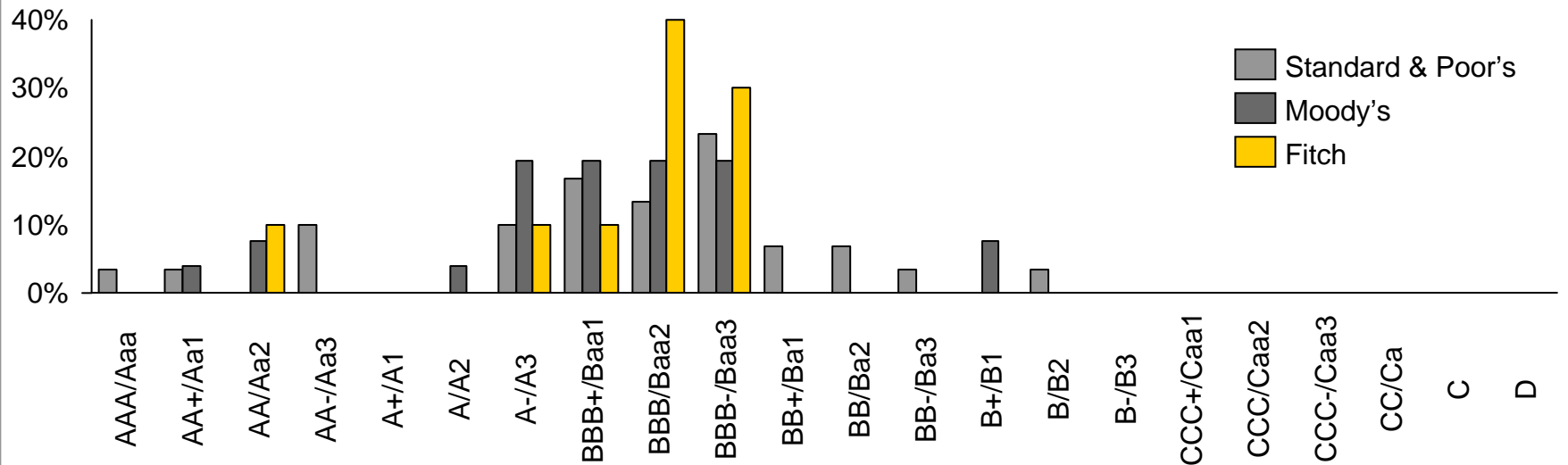
### Considerations

- Industry specific
- Cyclical
- Risk buffer
- Cost of capital
- Access to funding sources
- Strategic and financial flexibility

### Benefits

- Low cost of capital
- In-line to slightly above industry average
- Sufficient strategic and financial flexibility
- Unrestricted access to funding sources
- BBB (investment grade) temporary fallback rating

### Credit ratings of transport companies

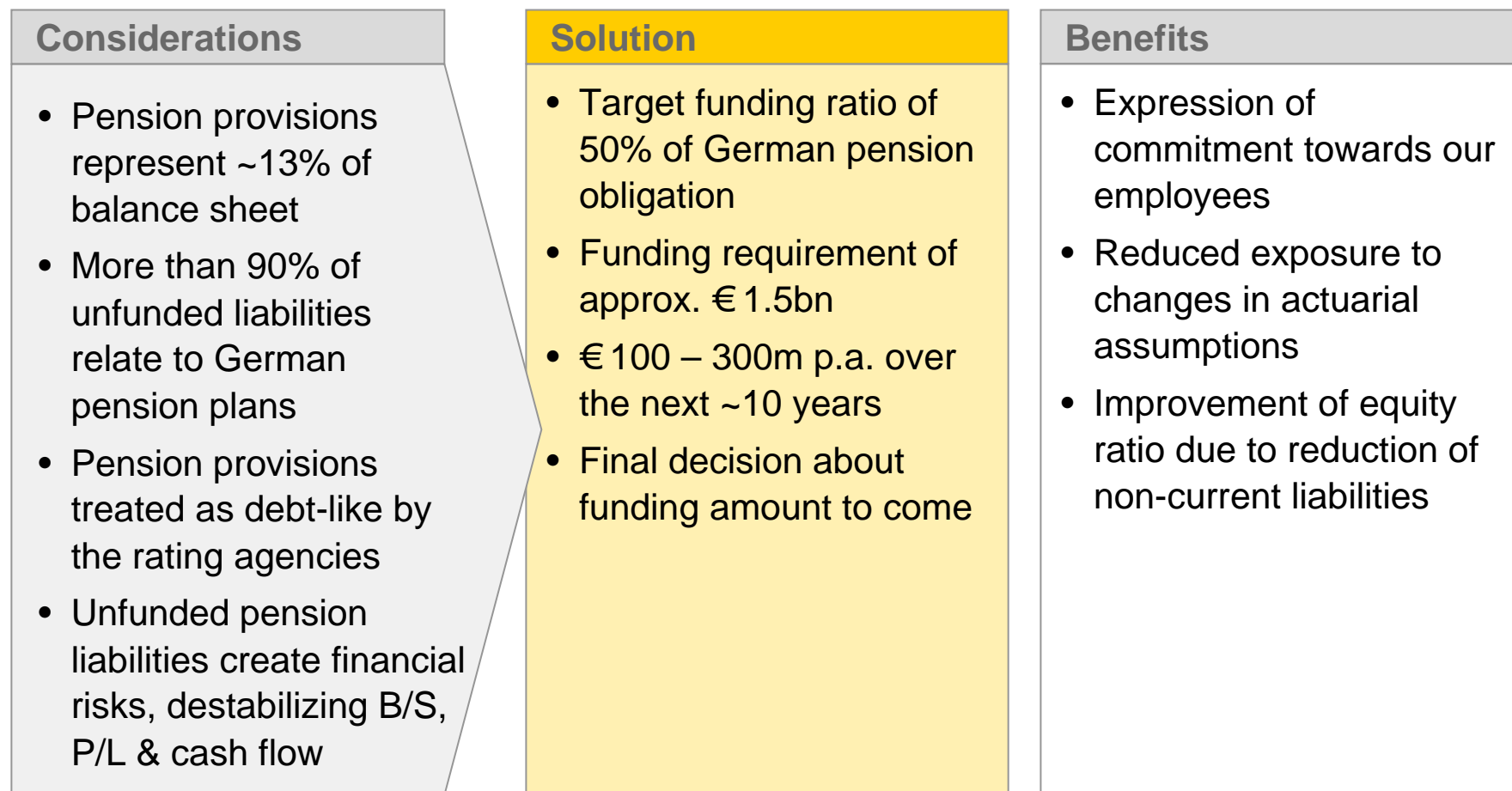


# FINANCE STRATEGY: DIVIDEND POLICY

	Considerations	Decisions
<b>Basis</b>	Which basis will DP DHL use for its dividend decisions going forward?	<ul style="list-style-type: none"> <li>• Net profit</li> <li>• Cash flow continuity</li> </ul>
<b>Adjustments</b>	Can the basis be adjusted?	Reported net profit will be adjusted for extraordinary effects such as US restructuring and valuation effects from Postbank transaction
<b>Pay-out ratio</b>	Which range will be applied to the basis?	40 – 60% of (underlying) net profit
<b>Exceptions</b>	What are the prerequisites for an exception?	Provided that the credit rating target is not endangered, case-by-case decisions will be taken taking into account benefit of continuity and mid-term outlook

# FINANCE STRATEGY: FUNDING SCHEME

## Flexible funding plan for German unfunded benefit obligations



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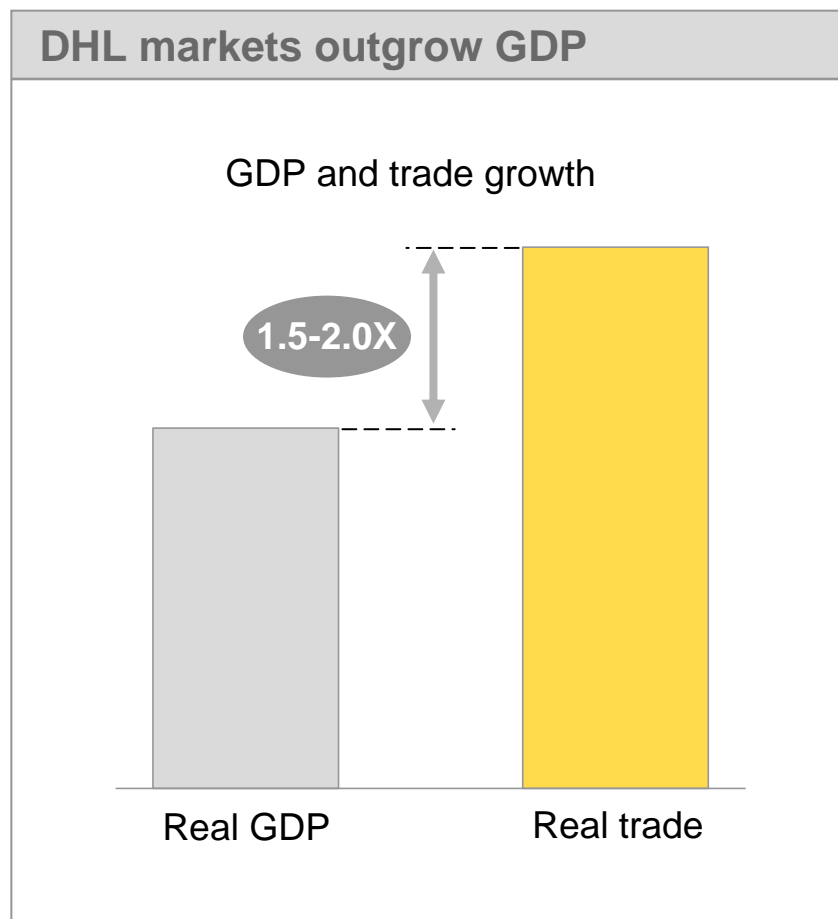
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# FINANCIAL ASPIRATION

## Ensuring capital efficient growth



### For each division we aim to

- Outperform market growth organically by 1 – 2% points p.a.
- Achieve benchmark margin performance

# FINANCIAL ASPIRATION

Go from good performance to great performance by 2015

