



Strengthening the Americas

John Fellows

Investing for Market Leadership

- **DHL Americas Strategy**

- **Integration Progress**

- **Investments for Success**

- **Physical network**

- **Information technology**

- **Marketing and brand awareness**

- **Power of One**

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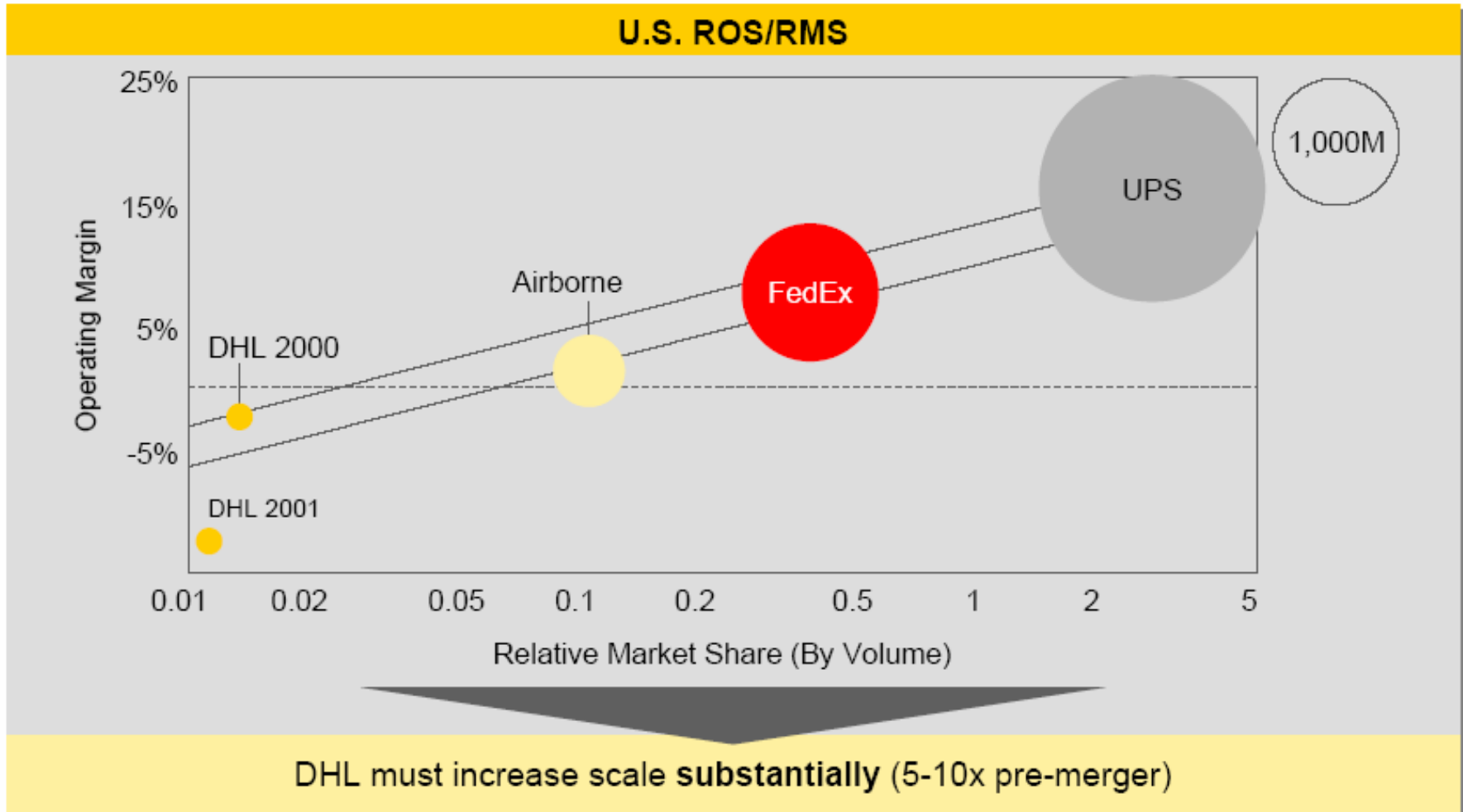
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Scale Drives Profitability in the U.S.

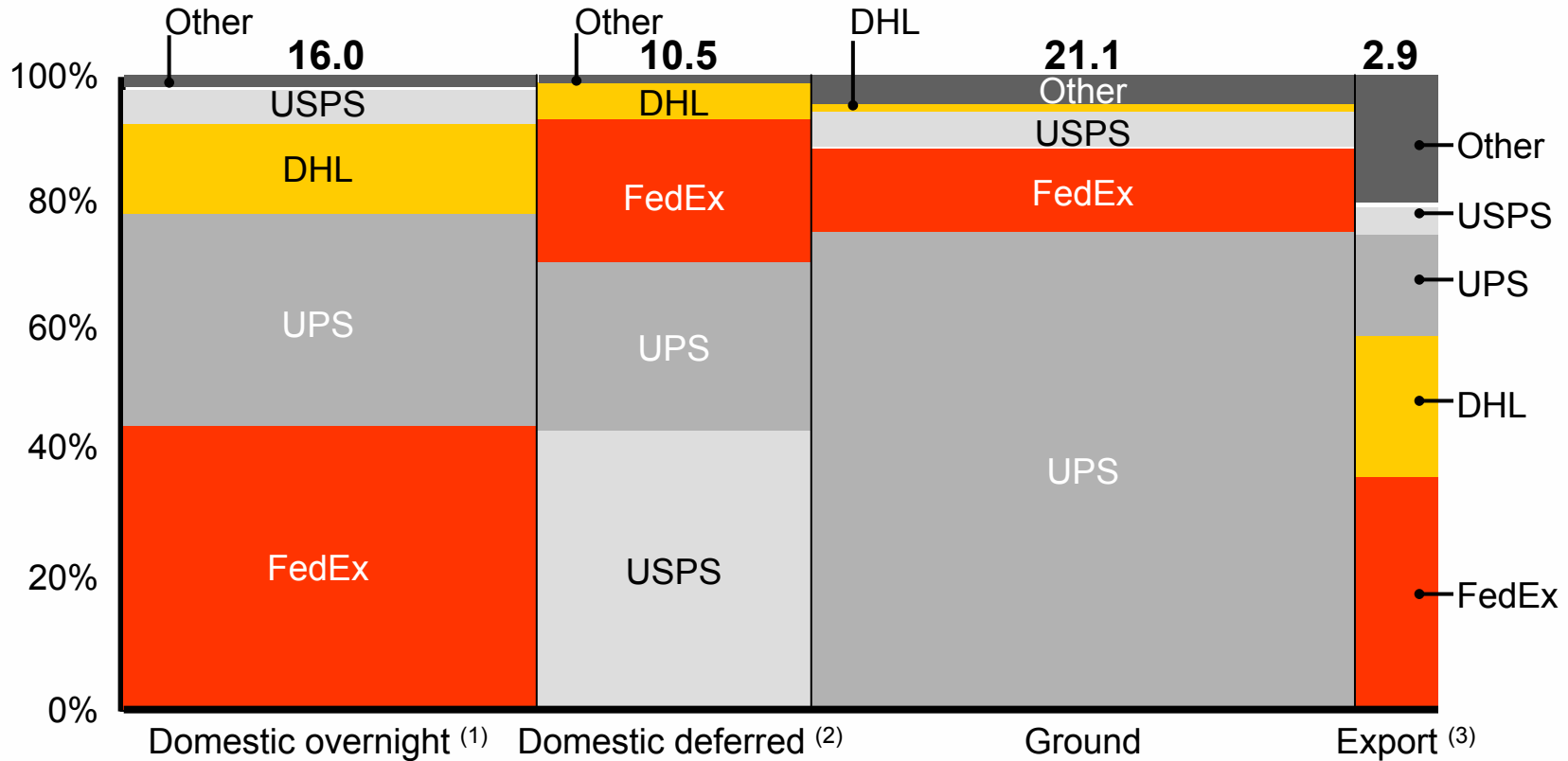


Increasing Scale Requires Share Growth Across the Domestic Product Set



US Express Shipping Market (2002)

Total = \$59.14B



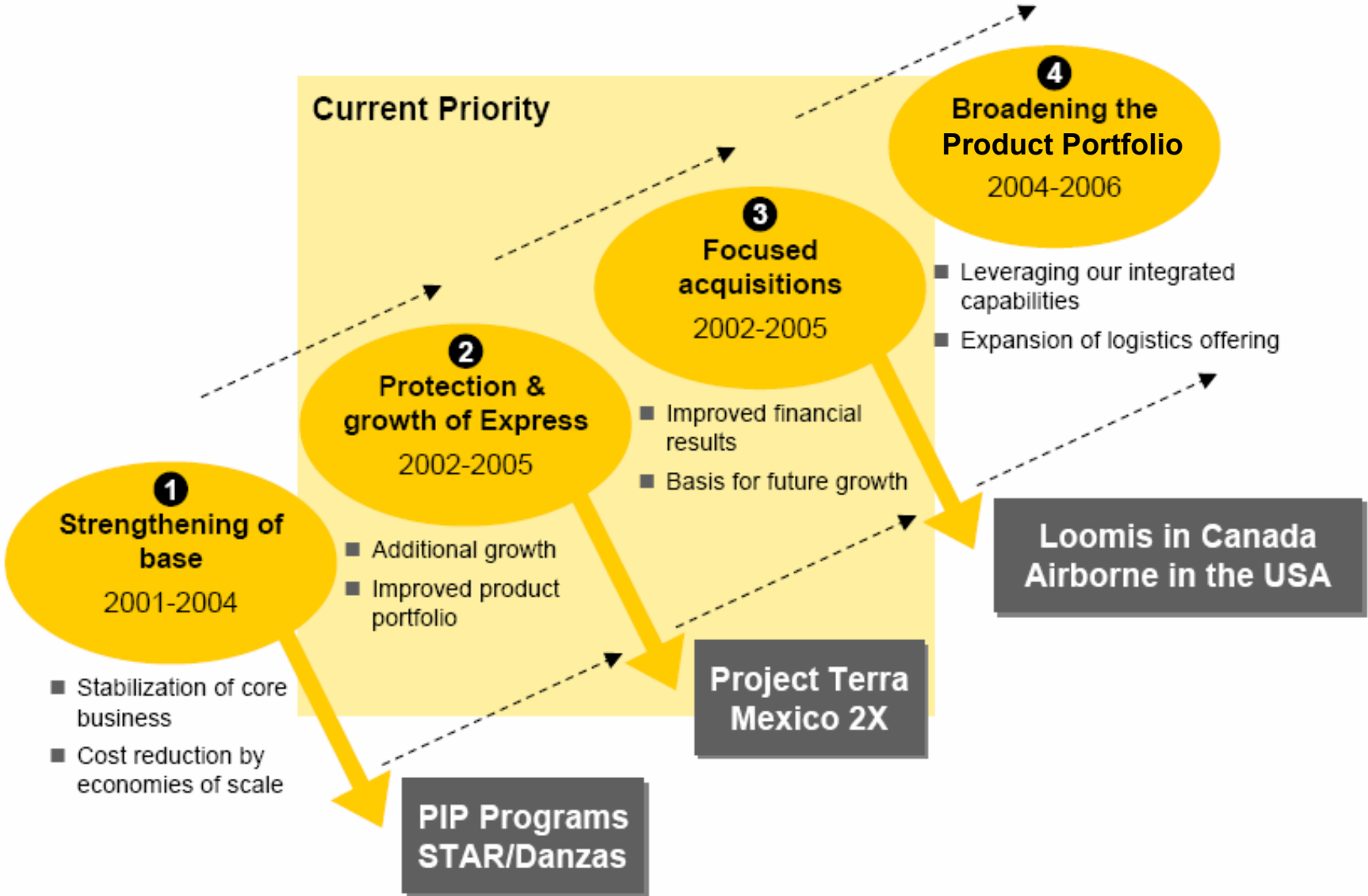
(1) Incl. envelopes/letters and packages

(2) Packages only

(3) Packages and Documents

Source: Colography

We Are Now Executing on Our Strategy



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The ideal choice for time-critical deliveries.



Customised express solutions for all your shipping needs.



Total control for collections worldwide.



Convenient and cost-effective international business mail services.



Your emergency spare parts delivery & return service



The worldwide network for all your air freight requirements.



Global ocean freight services including LCL and FCL.



Contract logistics, same day service

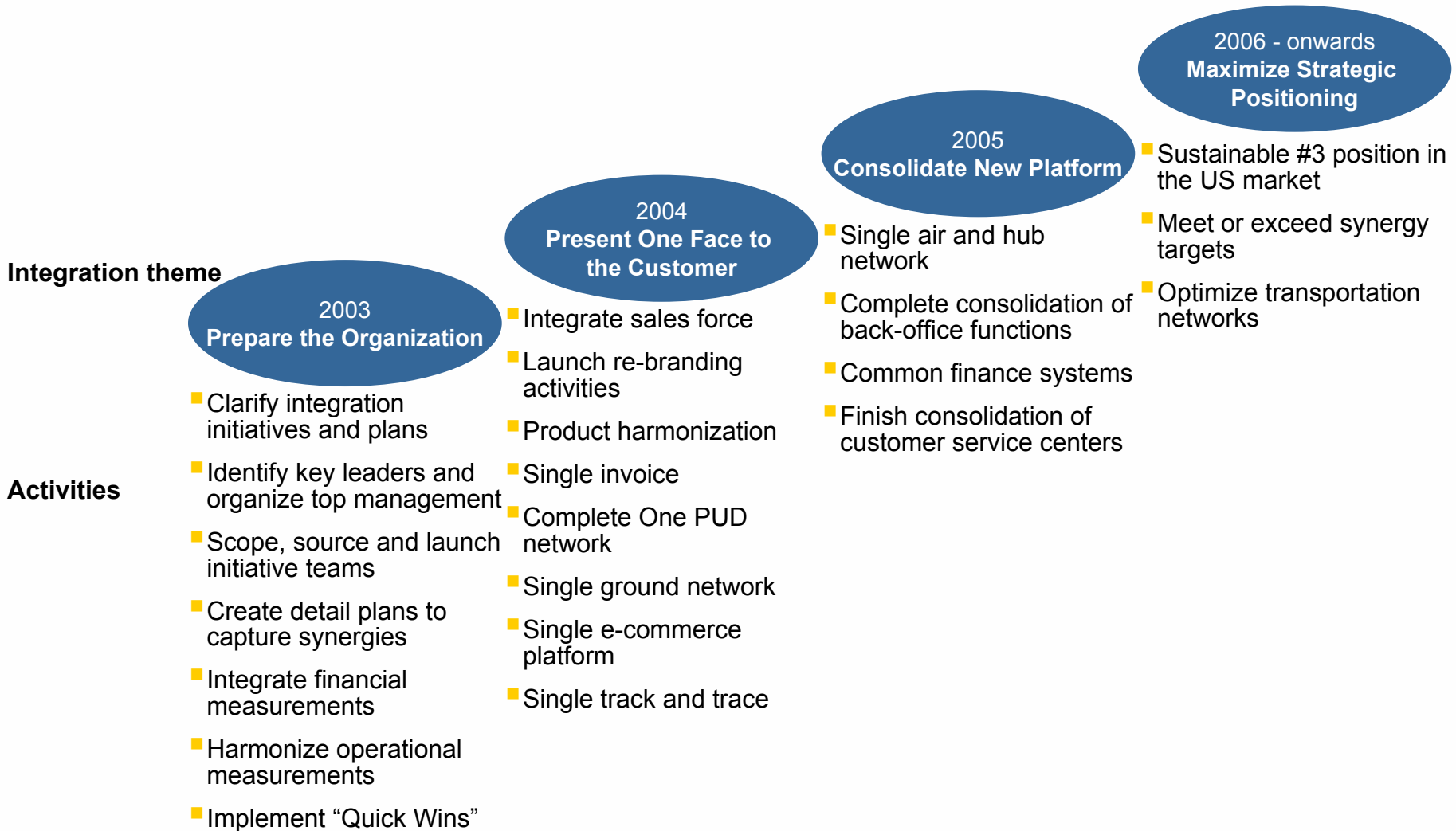
- One brand
- One label
- One bill
- One DHL.com and ACI
- Harmonized product portfolio
- Optimized pickup and delivery
- Common customer service processes
- Common business data
- Common business rules
- One point of visibility
- One messaging interface

- **Even though we have some major projects ahead of us, much has been accomplished already**
- **Confident in meeting cost synergy plan**
- **Integration costs are well within plan**
- **Survey indicates that customers have a positive attitude toward the integration**
- **Despite substantial integration activities service levels have shown significant improvements and stabilized**
- **We have faced some challenges and been surprised by a few things but have learned in the process**
- **We are on track in our transformation roadmap**

Integration Summary Transformation Roadmap



We are on track in our transformation road map and, in spite of the major projects ahead, much has been accomplished already



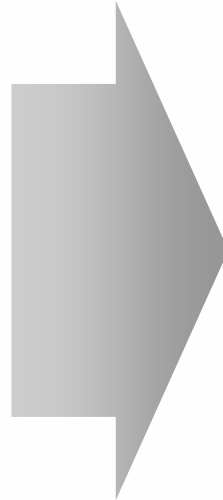
Commercial

Operations

People

IT

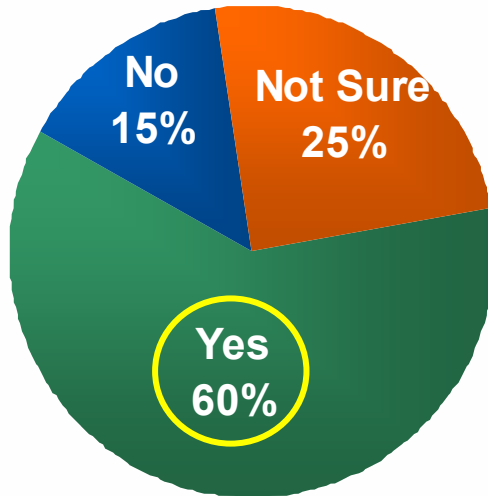
G&A



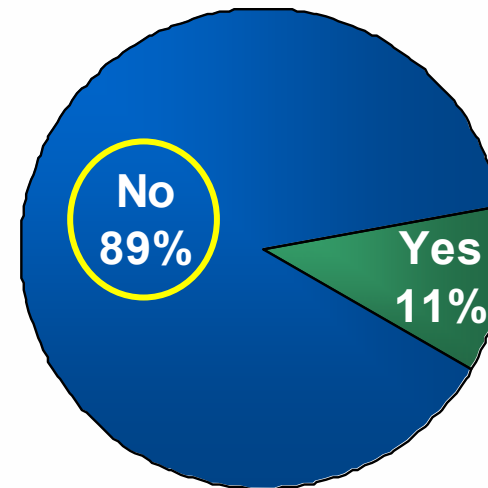
- Built a new *management team for Americas*
- Set clear *strategic path for the U.S. marketplace*
- Reinvested in *infrastructure foundation (e.g., IT)*
- Moved from SF to FLL *regional headquarters*
- Acquired *Airborne as major set in implementing the strategy*
- Integrated *salesforce with new incentive plan*
- Harmonized *sales processes*
- Harmonized *product offering with new pricing strategy*
- Customer *retention programs in place*
- New *advertising campaign launched*
- Integrated *IC stations (PAR I and II complete)*
- Rationalized *Par I fleet and facilities*
- *IC improvement program in place*
- Improvement in *missed pickups*
- New *hub business plan approved*
- *Air network consolidation plan in place*
- *Ground network integrated and upgraded*
- *CSC consolidation plan in place*
- Upgraded *organizational capability*
- “Power of One” *employee campaign ready to launch*
- Harmonization of *Comp/Benefits Policies on track for 1/05*
- Completed *Day 100 IT initiatives; Mobilized Day 200*

Minimal impact on customer experience or decision to shift business

**Will DHL/Airborne Be a Stronger Company
as a Result of the Acquisition?**



**Problems Experienced as a Result
of the Acquisition?**



- 2,200 telephone surveys
- Average 20 minutes in length
- March 2 – April 14, 2004

Q.97 Do you think DHL/Airborne will be a stronger company as a result of the acquisition? [n=914]

Q.101 Did you experience any problems as a result of DHL acquiring Airborne? [n=1063]

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CVG



- Located at Cincinnati airport (Kentucky)
 - Large commercial airfield
- Automated sortation
- Near major population center
- Operated by DHL
- 1,023 sort / ramp employees

* Press release June 25, 2004

'DHL announces \$1.2 billion investment in U.S. Operations'

ILN



- Located at Wilmington airfield (Ohio)
 - Private, DHL owned airfield
- Manual sortation
- Rural setting
- Operations outsourced to ABX through Hub Services Agreement
- 4,798 sort / ramp employees
- Significantly larger than CVG
 - ~7x piece count, ~3x weight

Improve service

■ Improved service possible to West Coast, Asia with West Coast hub

- Improves AM arrivals intra-West Coast
 - Shorter travel distance
- Improve AM West Coast arrivals from ILN hub
 - Departures to West Coast do not have to wait for materials from West Coast which arrive latest at ILN


■ Allow earlier departures from ILN to non-West Coast destinations

- Less throughput at ILN from late WC arrivals allows for earlier departures

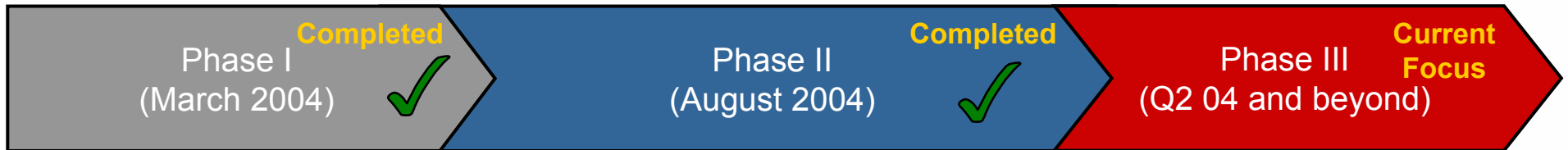
■ Facilitate AM delivery to Japan

■ Reduce amount of long-range lift to/from ILN

- ~200K lbs per day stays on West Coast; equivalent of 4 B767s

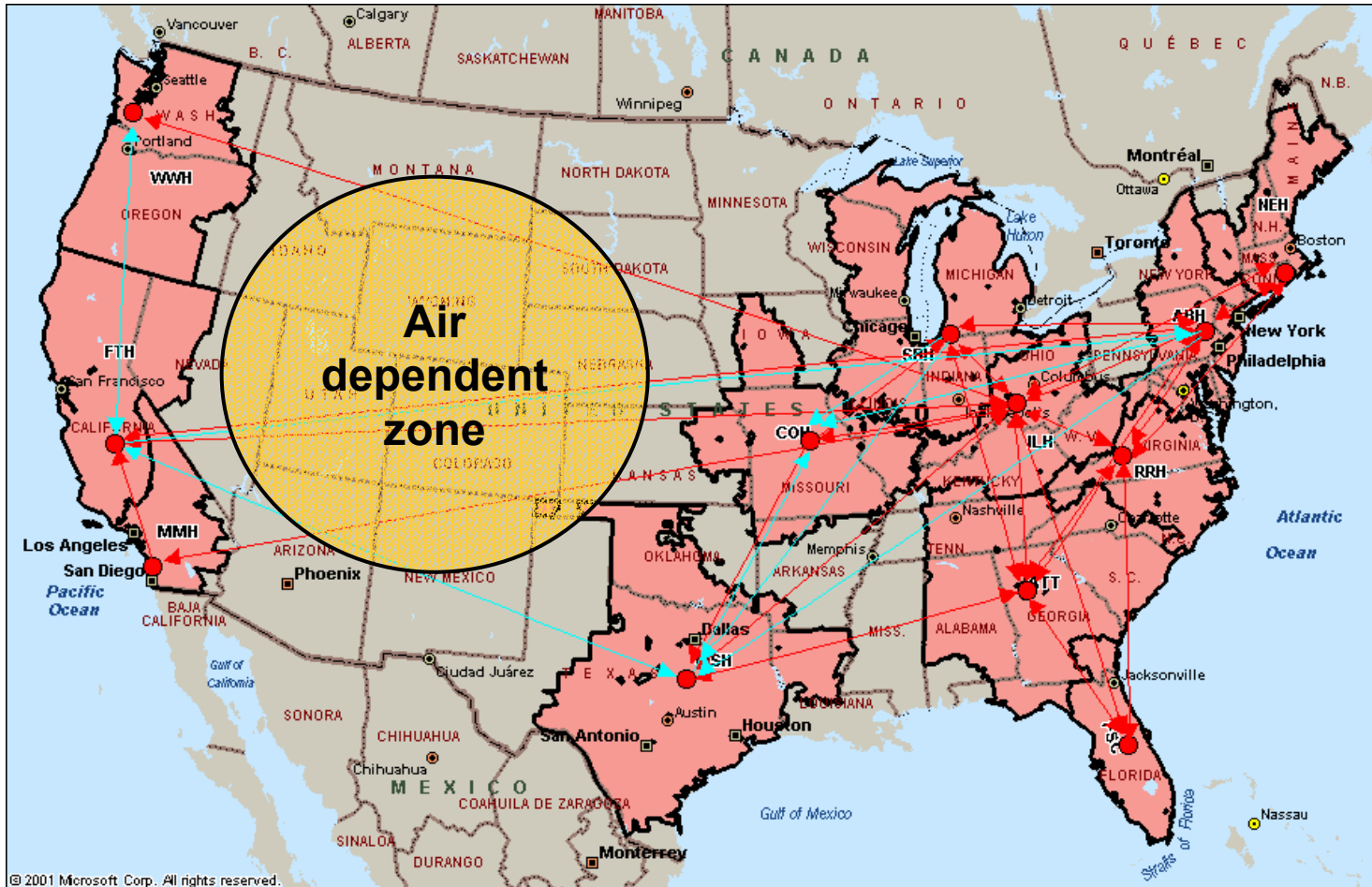


Keep intra-West Coast volume on West Coast and out of ILN





- Improve existing ABX network competitiveness
- Move purchased volume to ABX
- Upgrade Allentown facility to extend lifecycle till new facility is ready (18-24 months)
- Upgrade existing hubs as necessary with sort equipment
- Implement occupancy of **7** interim connector hubs
- Connect the 7 connector hubs to provide full ground coverage, move ground product off air, rationalize air fleet and capture operational savings
- New Allentown facility (Aug. 2005)
- Southern California facility (Aug. 2005)
- Relocate some regional hubs to compete effectively
- 5-10 **new** connector hubs

Ground Network Had Gaps and was Heavily Dependent on Airlift

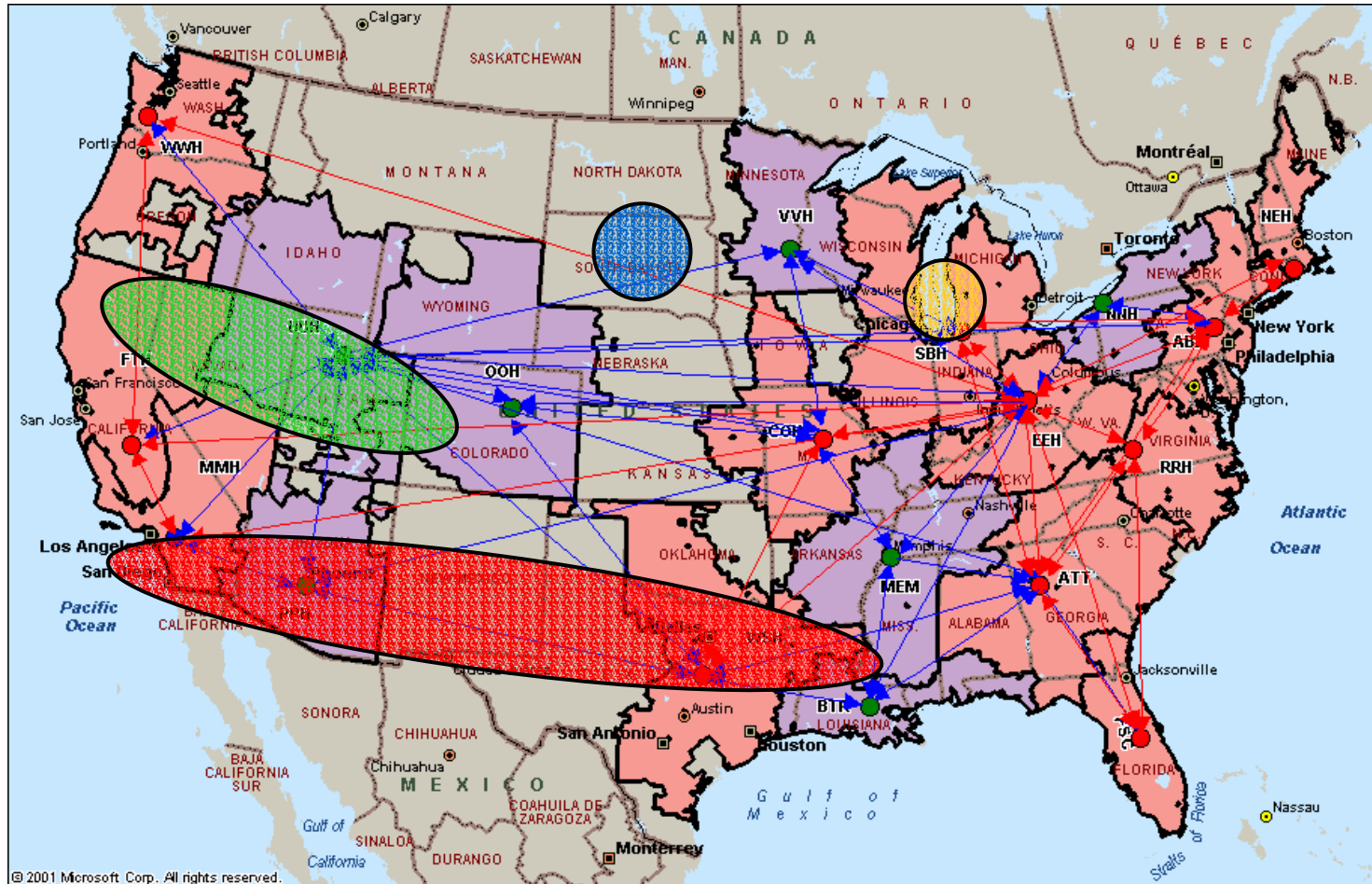


LEGEND

-  Former Linehaul Lane Segments
-  Additional Temporary Linehaul Lane Segments added until Phase 2 Completion

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Phase 2 Connector Hub Build-out Provides National Ground Network Connectivity



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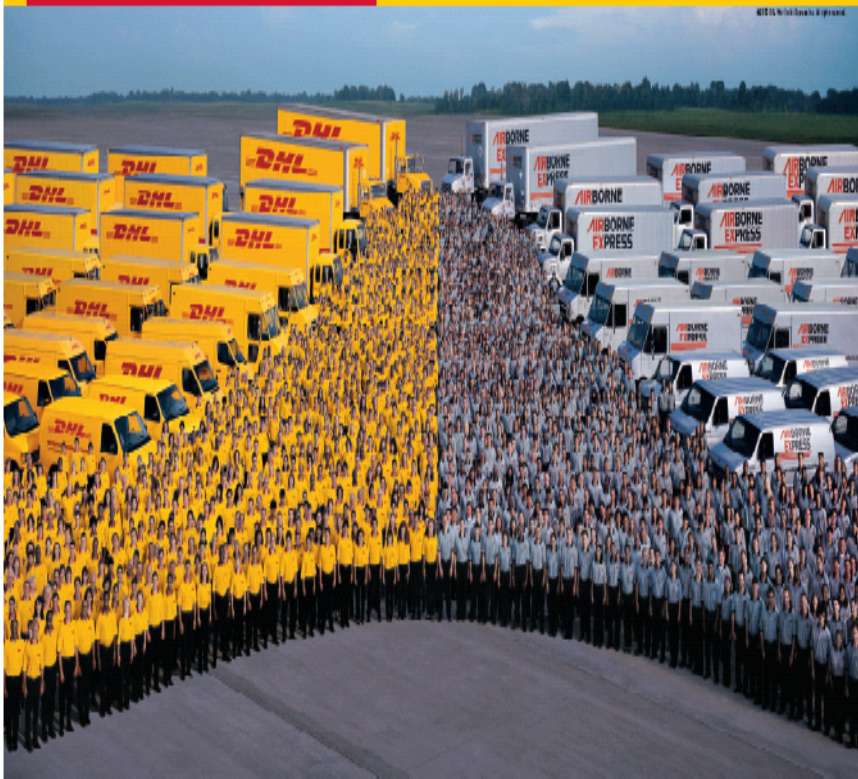
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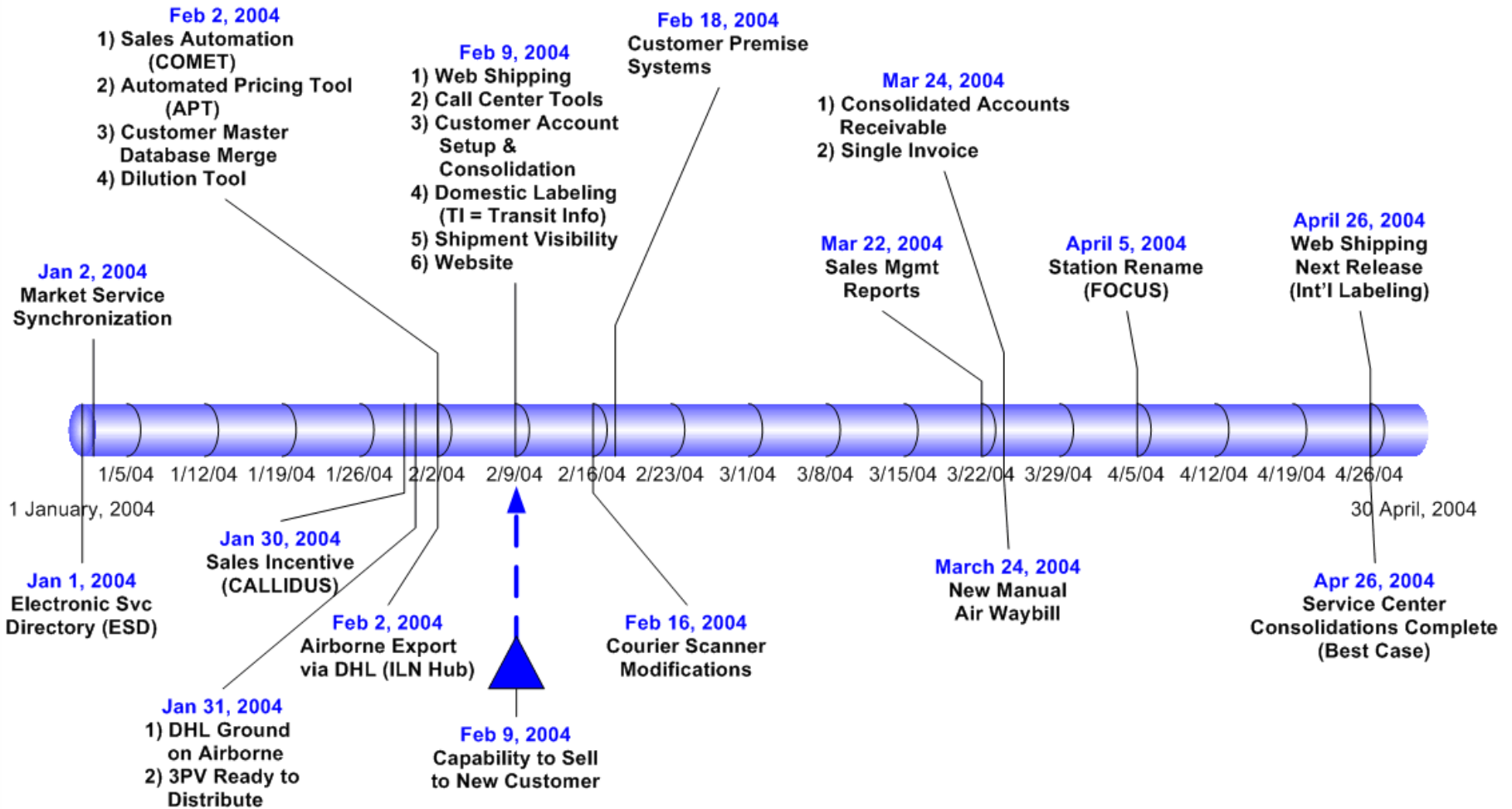
- **Power of One**

DHL and Airborne. An overnight success.

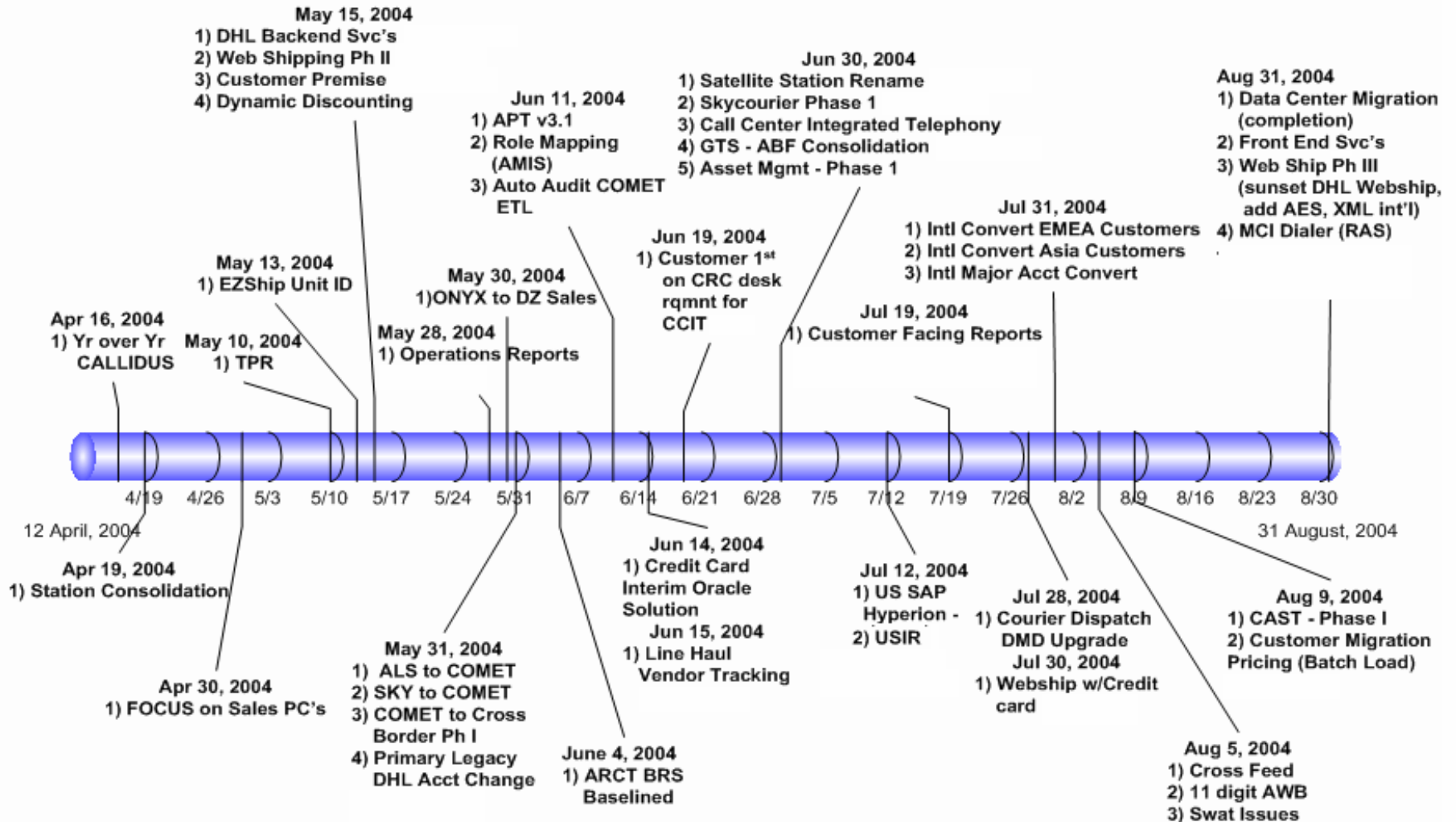


- ✓ Integrated data centre and network
- ✓ 5,500 PCs refreshed
- ✓ One IT team
- ✓ Day 100 plan complete
 - Single product set / billing / invoice / label / courier / website
 - Consolidated pricing and sales force
 - Consolidated Track and Trace
- ✓ Day 200 plan launched
 - Complete single face to the customer
 - Eliminate manual workaround
 - Drive revenue in and cost out

Airborne Integration Day 100



Integration: "Rolling" Day-100



Integration: Day-200 Projects

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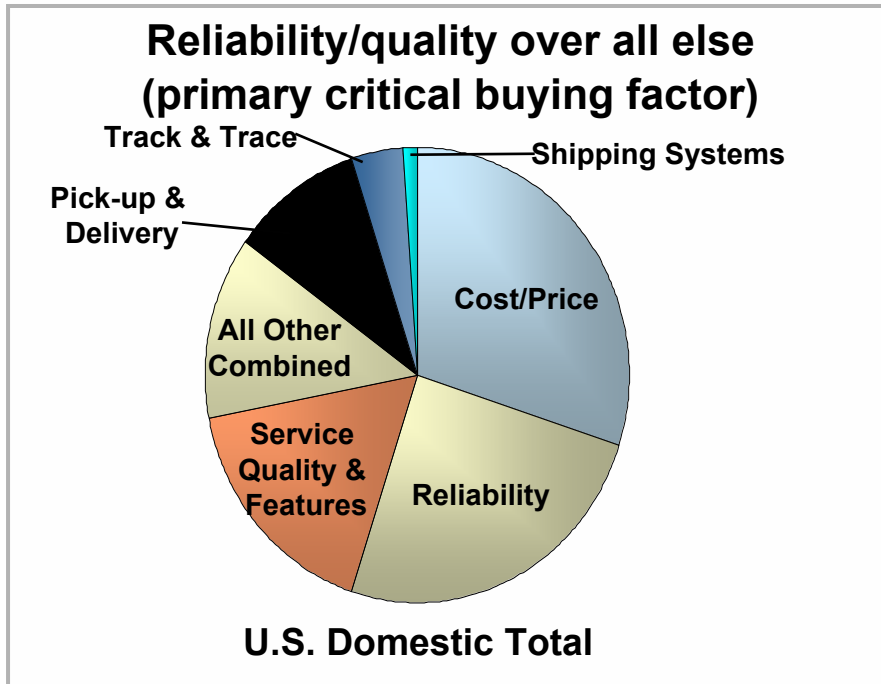
- **Significant shift from Air to Ground**
- **Average length of haul is decreasing**
- **Average weight per shipment is decreasing**
- **Changes in trucking industry beginning to impact air / express and ground parcels**

At same time:
multiplicative
effect

Shift From Mode-specific to Time-definite

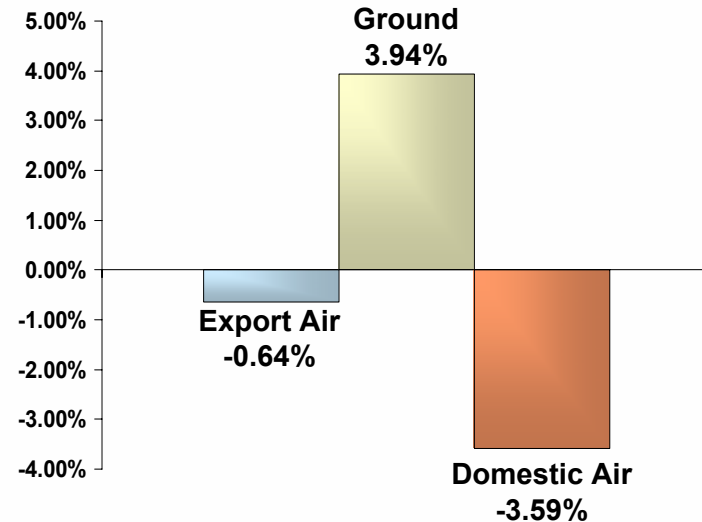


- Most durable trend for last 20 years
- Accelerated by other trends and factors:
 - Lower weight/shipment
 - Shorter hauls
 - 1998-UPS MBG on ground deliveries



Percent mix of shipments by mode over time

Total Market by Shipments



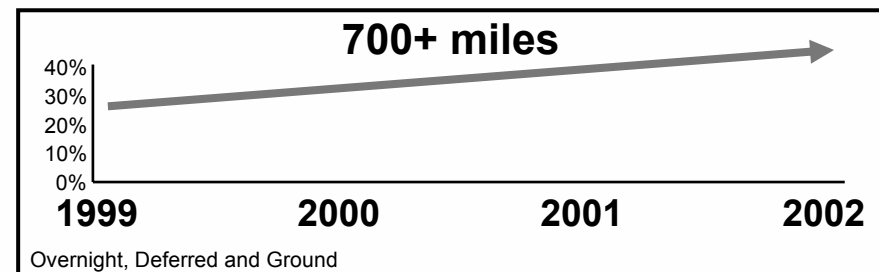
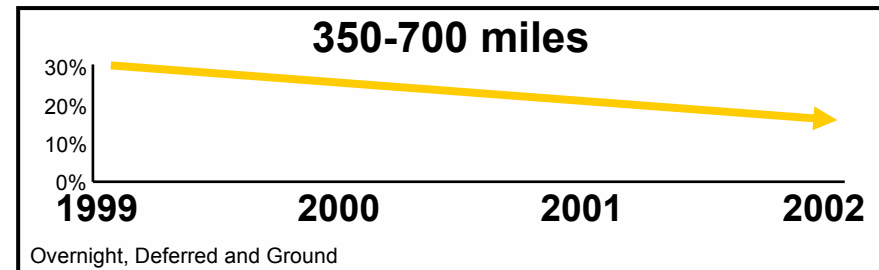
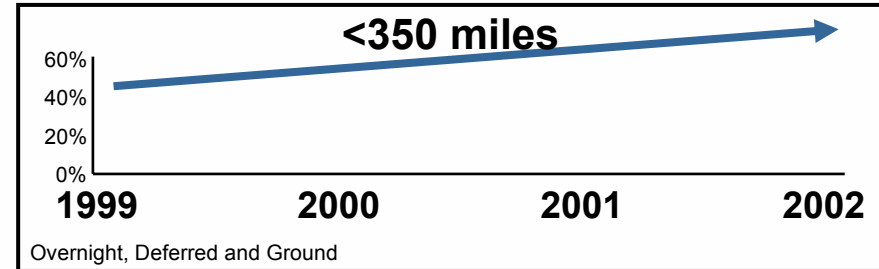
Steady move of Domestic Air to Ground

Source: The Colography Group - Traffic and Yield 1999 – Q1 2004

Fundamental Shift From Air to Ground Parcel

Key factors

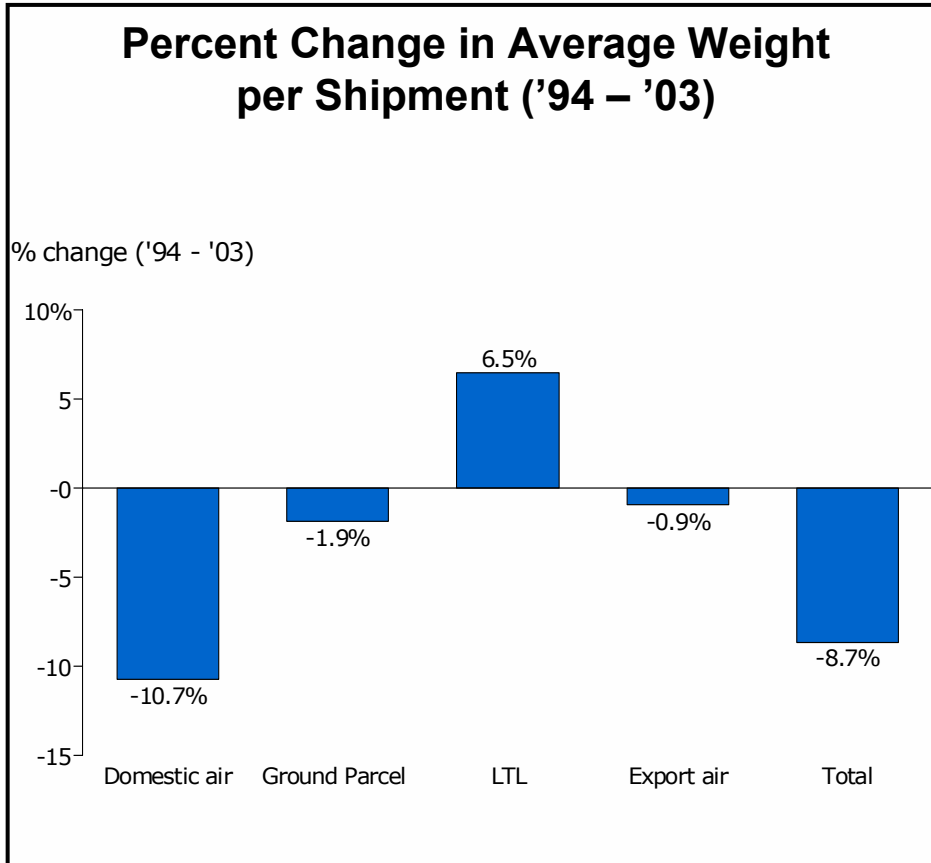
- 1990s – virtually no inventory
- Economic disruptions
- Physical disruptions
- Some inventory on every continent
- Inventory replenishment to DC's drives growth to TL and LTL >100 mile



**Transition From Low Inventory and Long-Distance
to Buffer and Shorter-Hauls**

Driving Forces

- Lighter, high tech shipments
- Lighter weight plastics and alloys
- Disaggregation of middlemen
- Impact:
 - Air declines 6.5lbs. by 2007
 - Peak in '97 of 36.9 lbs.
 - Steady decline to 34 lbs. In '02
 - 31.6 lbs. By '07



Over a Ten Year Period, Weight per Shipment Will Have Dropped by 17%

New Federal Motor Carrier Safety Administration Regulations

- Minimizes multi-stop truck load
- Diverts to premium LTL
- LTL has less capacity
- LTL raises rates
- Rates compressing vs. Ground , Deferred and even Overnight
- FedEx and UPS growing in heavier parcels and hundred weight



Partially Affects Trend in Weight and Distance per Shipment

UPS

- “What can Brown do for you?”
- “Synchronized commerce”
- Supply chain message
- International
- Business-like tone for C-suite audience
- Long-term play

FedEx

- “Relax, it’s FedEx”
- Speed
- Reliability
- International
- Kinko’s – recently
- Humorous, but not old FedEx creative quality
- Build on strengths

DHL

- “Competition, bad for them. Great for you”
- Phase 1 – “Choice”
- Leverage competition to announce new DHL
- Humor and breakthrough creative



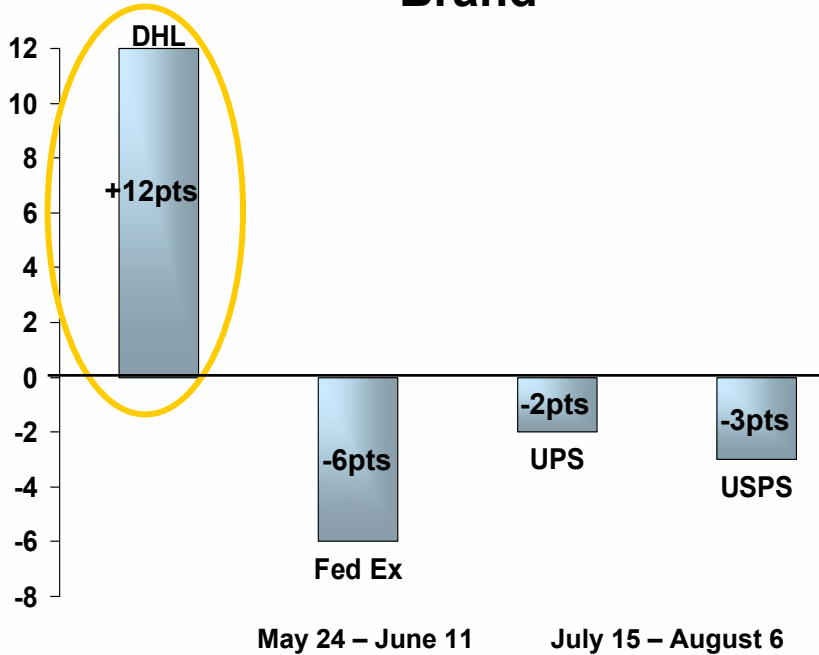
**Advertising Reflective of Three Very Different Companies
With Very Different Strategies**

- Paint the Western Hemisphere yellow
- Tell America they have a new “choice”
- Feature “flexibility” as advantage
- Drive tangible differentiation
- Win on creative execution



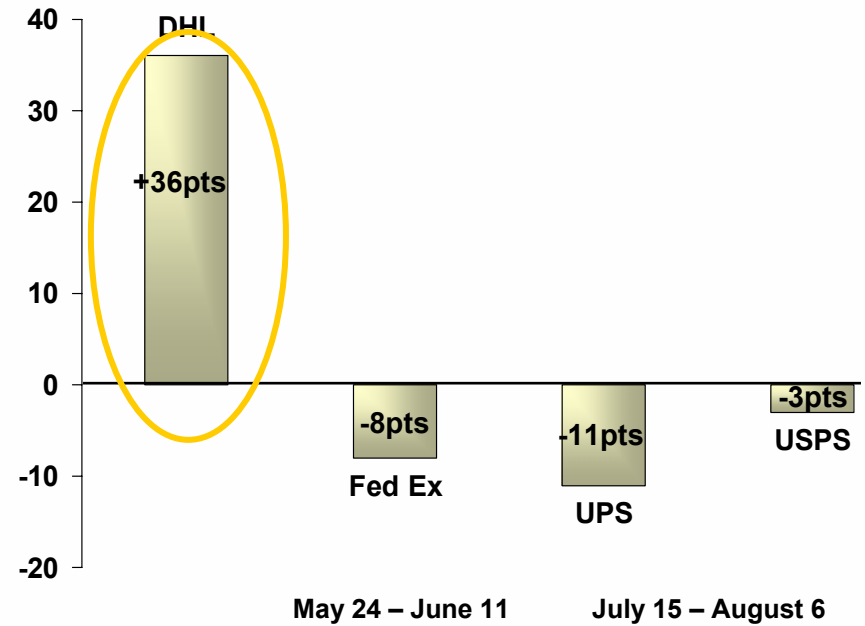
Let's take a look...you be the judge

Brand



- Q.1** When you think of express shipping companies for documents or packages, what company first comes to mind? [Total Baseline Respondents=254, Total Wave 1 Respondents=397]
- Q.1a** What other companies come to mind? [Total Baseline Respondents=254, Total Wave 1 Respondents=397]

Advertising (Message)



- Q.2** Which one express delivery service have you seen or heard the most advertising for recently either on television, radio, in magazine, on the internet, in newspaper, posters or direct mail? [Total Baseline Respondents=254, Total Wave 1 Respondents=397]
- Q.2a** What other express delivery companies have you seen or hear advertising for recently? [Total Baseline Respondents=246, Total Wave 1 Respondents=376]

Source: 2004 U.S. Brand Tracking Program - CONVERGYS

Advertising Impact – Brand Image Attributes (Change vs. Baseline)



Top 3 box ratings

- Provide reliable service — consistent and on time
- Provides a genuinely worldwide service
- Provides fast delivery service (time from pick-up to delivery)

The company on the move

- Easy to do business with
- Offers good value for the money
- Offers a comprehensive range of services and products

Competent in all aspects of delivery and logistics

- Seamlessly integrates all information
- Builds a strong, close customer relationship
- Focused on companies like mine
- Has a strong, local presence
- Has a high price
- The industry leader

DHL (a)

FedEx (b)

UPS (c)

+12 ↑	+7	+2
+17 ↑	+8 ↑	+5
+19 ↑	-2	+4
+26 ↑	+2	0
+10 ↑	+1	+2
+8	+1	+2
+12 ↑	+10 ↑	+7
+21 ↑	+5	+4
+6	+5	+3
+8	0	-1
+15 ↑	+9 ↑	+8 ↑
+7	+6	+4
+3	-1	+4
+12 ↑	-1	+6

↑/↓ Significant increase/decrease from Baseline at a 955 confidence level
Letters show a significant difference from corresponding column at a 95% confidence level

Q.10 Using a scale of 1 to 10, where 1 means you “strong disagree” and a 10 means you “strongly agree”, and using any number in between, how much do you agree that this statement describes [insert company]?

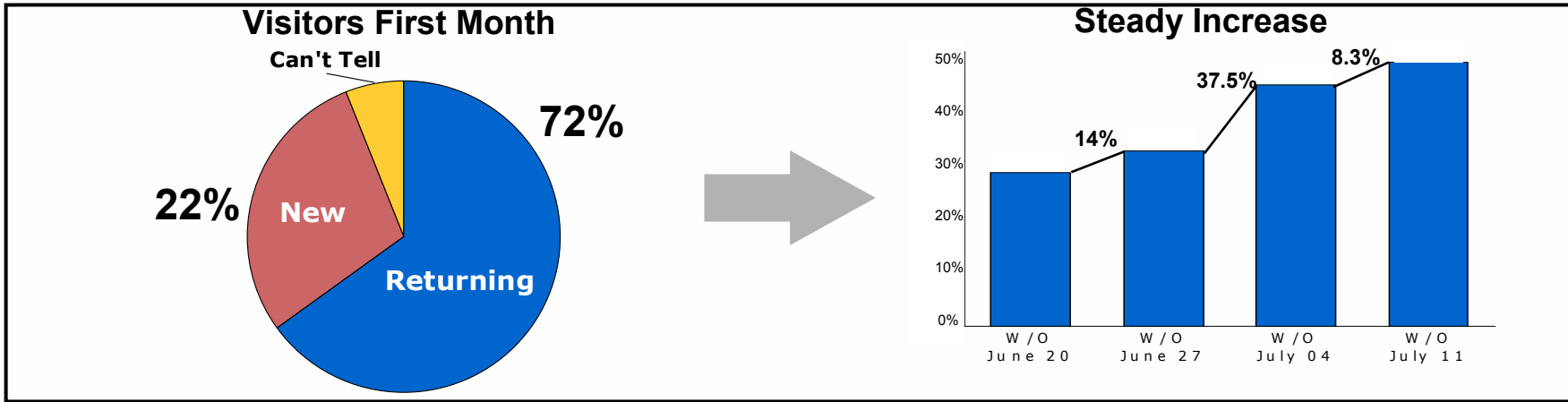
Bold attributes signify the attributes that link to advertising messages

Base varies by shipper and attribute. Base is total responding, excludes unaware, don't know, refused

DHL base=152-170, FedEx base=240-248, UPS base=245-251

Source: 2004 U.S. Brand Tracking Program - CONVERGYS

Overall web traffic grew 71% in the first month



- Launch covered by top national, business, regional, and trade press



- Media coverage generated in all 13 target markets



- Brand campaign continues to generate media coverage and new media contacts in key markets



Total Number of Impressions = 53 Million

- **Exceeding results based on creative and media**
- **Too soon to get a clear read on volume impact, but trends show uplift**
- **Working well above, below and through the line – advertising, DM, PR, OOH, retention, activation, etc.**
- **Highly successful overall by any objective measure**
- **Will require on-going investment at equivalent levels in order to build and maintain share of mind**

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DHL – The Power of One.

One Vision

Customers trust DHL as the preferred global express and logistics partner, leading the industry in terms of quality, profitability and market share.

One Culture

Deutsche Post World Net
MAIL EXPRESS LOGISTICS FINANCE

Our Corporate Values

To deliver excellent quality

We provide worldwide door-to-door services as well as comprehensive solutions.

To make our customers successful

Customer satisfaction determines our Group's success. Our customer's success is our success.

To foster openness

We think global, act local and respect different cultural values in the countries where we operate.

To act according to clear priorities

Clear priorities determine our actions.

To act in an entrepreneurial way

Entrepreneurial conduct constitutes the spirit of our Group. We demand and promote individual responsibility.

To act with integrity internally and externally

Integrity determines the way we work within the Group as well as our conduct towards our business partners, shareholders and the general public.

To accept social responsibilities

We are committed to goals that generate benefits for the communities where we work.

More Power

One Mission

DHL enhances the business of our customers by offering the highest quality express and logistics solutions based upon strong local expertise combined with the most extensive global network presence.

DHL attracts, develops and retains exceptional people by creating a truly global working environment and placing value on our multi-cultural heritage.

DHL delivers above-average returns by providing superior quality and solutions at all levels of the business processes.

DHL is a responsible corporate citizen in all countries in which we operate, taking into account the social and environmental needs of our employees, local communities and the public.

One Organization

Deutsche Post World Net

We are the #1 transportation and logistics company in the world

We are the #1 international express carrier bigger than either UPS or FedEx

We are the #1 international freight forwarding and solutions provider

We are the #1 express, freight, logistics and mail solutions provider

We are a global team comprised of 350,000 dedicated people operating in 228 countries around the globe generating more than 50 billion annual revenue

One Region

Bringing the strength of the #1 express, freight, logistics and mail solutions provider to the Region.

The Region, with a work force of over 50,000 employees and independent contractors, is made up of the United States, Latin America, Canada and the Caribbean. The Region ships over 400 million shipments per year and generates approximately \$7 billion annual revenue.

One Brand

We are the trusted global pioneer in transportation and logistics solutions. We now offer a new more flexible choice – a company built around the needs of its customers, rather than its own systems.

Building on the pioneer spirit that made us the world leader in express and logistics, DHL continues to adapt to a rapidly changing world by offering our customers an unparalleled range of services spanning express, freight, logistics and mail solutions aimed at exceeding our customers' expectations and needs.

DHL gives our customers the best of both worlds – domestic and international delivery – with unsurpassed customer service.

The DHL brand is built upon four strong service pillars: DHL Express door-to-door delivery of documents, parcels and freight to 120,000 destinations through a worldwide net work of 5,000 branches and stations.

DHL Freight domestic and international solutions for LTL and full load shipments via road, rail and intermodal transport.

DHL Danzas Air & Ocean worldwide logistics for air and ocean freight, industrial projects and enabling technology solutions.

DHL Solutions customized logistics solutions for the entire supply chain, ranging from consulting and design to warehousing, distribution and order management.

...Deliver a differentiated value proposition to our customers.

One Service Offering

DHL Americas Customer Proposition

Anything, Anytime, Anywhere

DHL Americas Products

Domestic

Same Day	Time-Definite	Day-Definite	Value-Add	Air & Ocean	Solutions
Same Day	Next Day 10:30	2nd Day	DHL Logistics	Same Day	Transportation Management
VIP Service	Next Day 12:00	Ground	Global Mail	Next Day 12:00	Industry Solutions
Global Mail	Next Day 9:00	DHL-Mileage	Return Choice	Next Day 9:00	Industry Solutions
9:00 am Express	DHL-NextBusiness	Delivery Service	2nd Day	Freightliner	Industry Solutions
Freight Delivery	Same	Advanced	2nd Day	Freightliner	Industry Solutions
	Saturday Delivery	Purchase	Roadtrac		
	Canadian Ground	Product	Precision Service		
	Canadian Express	Product	Standard Service		
	Shipment Service	International			

International

Same Day	Ground	Global Mail	Air Flat	Transportation
Same Day	U.S.A. Express	Air Freight	Air Freight	Management
VIP Service	Delivery Service	All States	Industry Solutions	Industry Solutions
	3rd Document	Over-Weight	Large Management	Industry Solutions
	Worldwide Priority	Special	Customer Integration	Industry Solutions
	Express	Customs Brokerage	Customer Integration	Industry Solutions
	Import Express	Management	Industry Solutions	Industry Solutions
		Management	Industry Solutions	Industry Solutions
		Management	Industry Solutions	Industry Solutions
		Management	Industry Solutions	Industry Solutions
		Management	Industry Solutions	Industry Solutions

One Team

DHL Americas Employee Proposition

Add Value, Be Valued

We are one high performing company through a focus on quality customer and employee experiences, driven by a new, stronger company culture.

Several characteristics that differentiate DHL from the competition – flexibility, innovation and fun – are traits that employees bring to the Company. We need to ensure that we continue to encourage and promote these qualities in our people and, in doing so, maintain our competitive advantage.



- **Integration is on track**
- **Investments being made in the U.S. to achieve sustainable #3 market position**
- **Customers are responding favorably to the strategy and the brand**