



# Deutsche Post World Net

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# The rules for 2008 are determined

## Key regulatory factors influencing mail communication in Germany

### Monopoly

- The exclusive license for letters of  $\leq 50$  g expired at the end of 2007 in Germany
- Staggered liberalization in Europe in 2011 and 2013



### Prices

- For single piece items: The regulator has recently approved the current price-cap regime; this provides stability of ex-ante prices for the next 4 years
- For mail over 50 pieces: new pricing flexibility



### Universal Service Obligation (USO) and VAT

- DPWN will continue compliance with USO , e.g. nation-wide delivery
- No VAT change on mail planned for 2008



### Minimum wage

- Wage level of € 8.00 to € 9.80 for mail service providers which predominantly deliver letter items on a commercial and professional basis
- Agreed by lower house and upper house and was finally introduced as of January 1. 2008



# Cost flexibility allows DPWN to appropriately react to competition

## Personnel costs

### Substantial flexibility in personnel costs built up over the past two years

- ca. 4,500 FTEs per year enter retirement/leave the company (4.1% of total mail workforce)
- ca. 8,400 FTEs work on temporary contracts (7.6% of total mail workforce)
- ca. 27,400 FTEs work part-time (24.7% of total mail workforce)

## Other costs

### Volume-related cost reduction measures have been prepared in detail

- Reduce number of night mail transport flights
- Align overall delivery and transport network
- Reduce volume of outsourced functions, e.g. trucking

## Important conditions for Mail business are now defined

More clarity in the regulatory environment

Combination of proven old pricing regime with new pricing flexibility

High flexibility for cost adjustments, if needed

**Maximum EBIT risk of 10 to 20% by 2009 confirmed**

## What we promised you on August 3rd 2007

### Cash generation

- We need to generate more cash from our operations

### Cash payout

- We will let shareholders participate in additional cash generation

### Transparency

- We will provide more comparable and consistent information

**We want to become the most attractive investment in our industry**

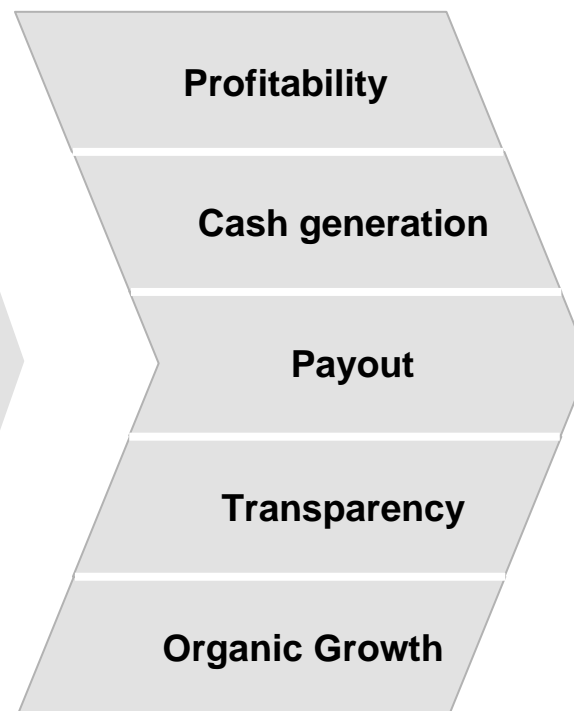
# We have entered a new phase: Focus on Value Generation

Our superior market positions should enable us to generate more value through organic growth

## Acquisition phase



## Roadmap to value 2008 /09

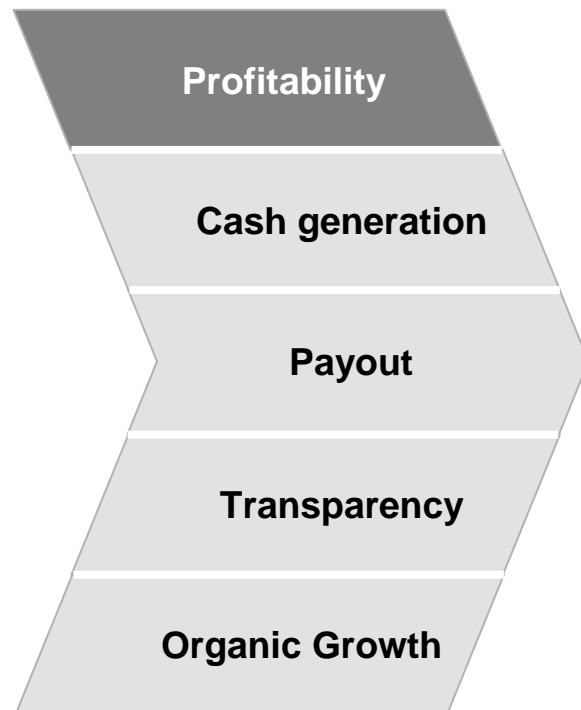


## "Hard facts"

1. 2-year profit improvement program of **€1Bn** initiated
2. Group EBIT in 2008 to reach **at least €4.2Bn**
3. Net working capital reduction of **€700M by year-end 2009**
4. Sales of non-strategic assets of **at least €1Bn** cash within 24 months
5. Proposed increasing **dividend** for 2007 by 20% to **€ 0.90 per share**
6. Enhanced **transparency** and disclosure

# €1 Bn operational improvements will be achieved by 2009

Underpinning our profit growth plans

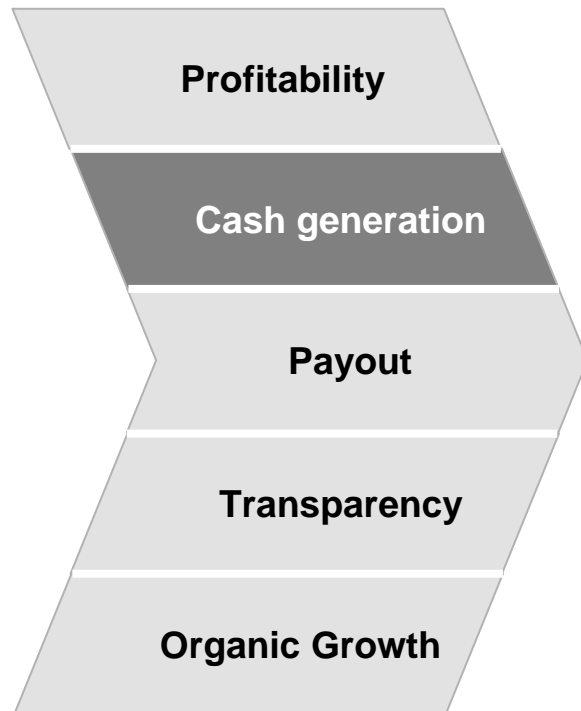


## Increasing operational profitability

- We have started a series of bottom line improvement programs totalling €1 Bn by the end of 2009 to underpin our EBIT development
- Monthly reviews by CFO with divisions on progress
- Relentless focus on all underperforming units

# Over €1.7Bn cash will be generated by 2009 through NWC reduction and real-estate sales

Long-term perspective ensured through Value Based Management

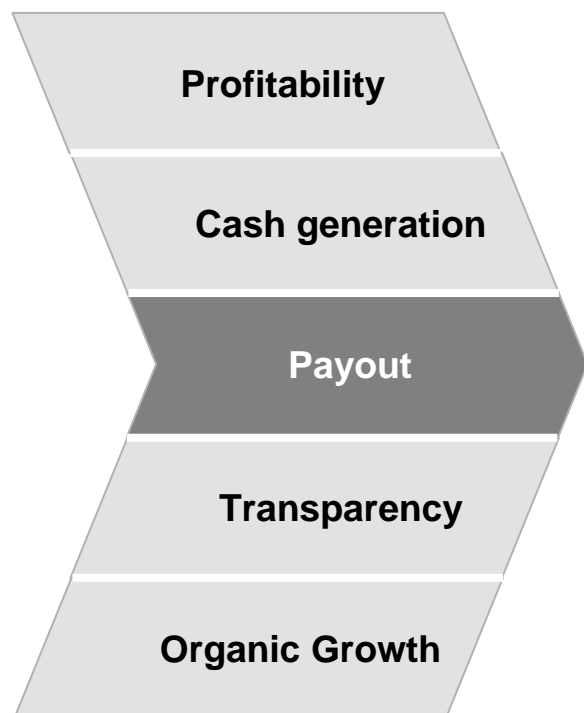


## Improving the cash generation of our business

- Introduction of Value Based Management using Asset Charge Concept
- Management incentives will be strongly tied to EBIT after Asset Charge
- Exercise strong discipline in Capex
- We will reduce our working capital. Commitment to free up €700M by year-end 2009
- We target to raise at least €1Bn cash from disposals of real estate by 2009

## 20% dividend increase to €0.90 per share proposed

Raising payout to new sustainable heights

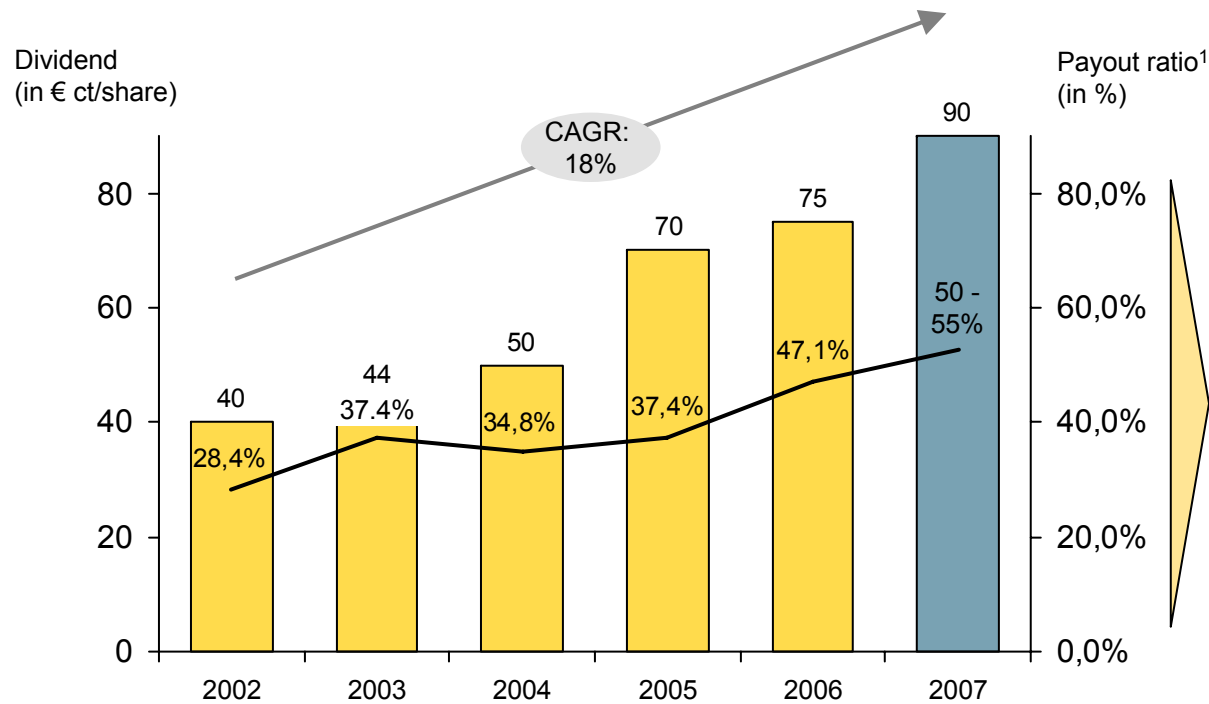


### We aim to improve cash returns to shareholders

- We propose to raise the dividend to **€0.90 per share** for 2007 (20% increase vs. 2006)
- Thereafter, the dividend growth will be broadly in line with underlying earnings growth
- When asset disposals reach target (€1Bn) other methods of cash return (including share buybacks) will be considered

# We propose to raise our ordinary dividend to €0.90 per share for 2007

Dividend will let shareholders participate in growing profitability

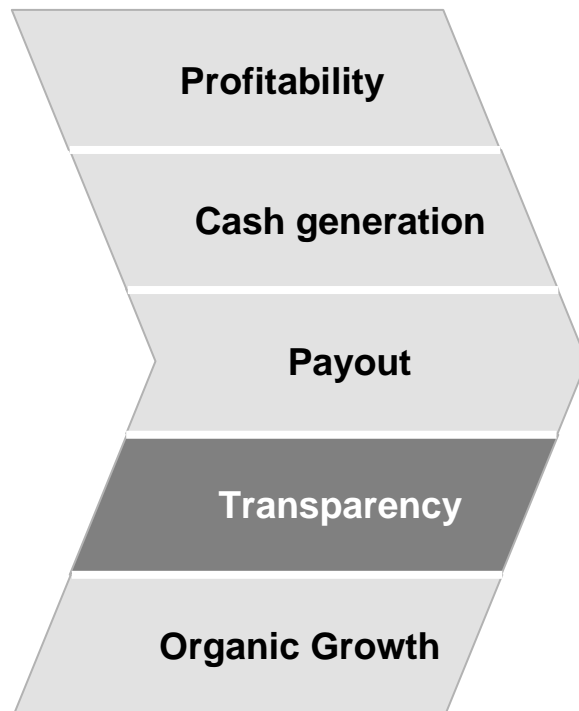


- Over the last five years we distributed **€3.2Bn**
- We will raise our dividend by **20%** next year (to €0.90 per share)
- Thereafter, payouts will increase broadly **in line** with underlying profit growth
- Over the next five years we should distribute **between €6.4-6.6Bn<sup>2</sup>**

1. Based on reported net income adjusted for extraordinary expenses 2. Scenario: Based on annual dividend of € 0.9 per share for 2007 and 10%p.a. increase

## Services segment unbundled starting Q1/2008

New reporting will further improve transparency

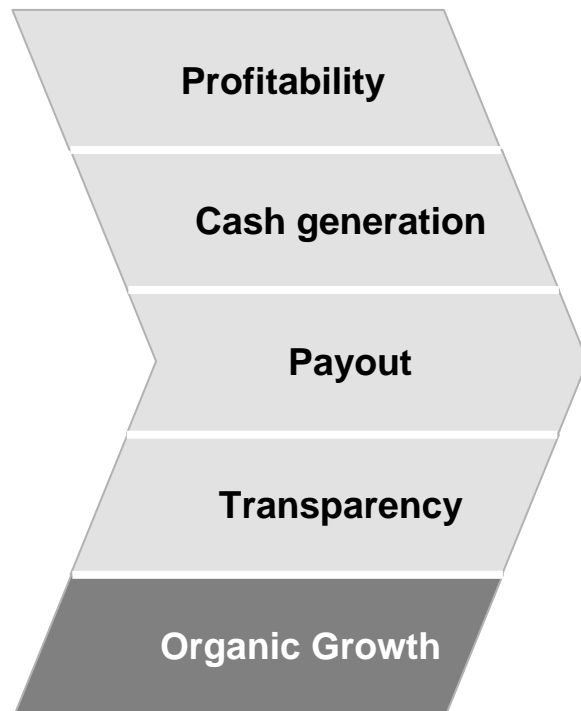


### Improved transparency & disclosures

- Improved disclosure on an annual and quarterly basis
- Unbundling of the Services segment and allocation of the respective costs (esp. GBS) to the divisions
- Reporting of a clean “Corporate Center / non-operating result” segment

# DPWN in a superior position to grow organically

GCS and First Choice support our growth ambitions



## Leveraging our superior market position

- Superior position compared to major competitors in high-growth developing markets should support organic growth above market
- Global Customer unit (GCS) achieving growth rates above rest of Logistics and Express
- First choice program should lead to growing customer preference and support future growth
- M&A spent has been significantly reduced and will remain at a relatively low level going forward
- M&A hurdle rates have been tightened and future M&A will be extremely selective

## 2007 – 2009 EBIT Guidance

EBIT guidance excl. non-recurring effects and pre effects of unbundling Services division

in €B	2007	2008	2009
Mail	~ 2.0	~ 1.90	1.65 to 1.85
Express	min. 0.4	~ 0.65	0.90 to 1.10
Logistics	min. 0.9	~ 1.05	1.15 to 1.25
Financial Services	min. + 5 %	min. 1.15	min. 1.20
Services /Corp. Center	~ -0.7	max. -0.6	-0.4 to -0.5
<b>Group</b>	~ 3.7	~ 4.2	~ 4.7

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