



MAIL



EXPRESS



LOGISTICS



FINANCE

Annual Press Conference 2006

John Mullen
Member of the Board of Management Deutsche Post World Net
Express Americas, Asia Pacific, EMA

March 14, 2006, Bonn

Apart from the US, the RoW region had an excellent 2005...

-  **Asia Pacific**
 - EBIT ahead of plan
 - Another outstanding year. Excellent results across all countries

-  **Emerging Markets**
 - EBIT ahead of plan
 - A good year across most countries. Especially strong results in Russia, Turkey. New CEO appointed to lead region

-  **Latin America**
 - EBIT ahead of plan
 - A good year in difficult circumstances, particularly currency fluctuation
 - New CEO appointed to lead the region

-  **Canada**
 - EBIT ahead of plan
 - Very strong performance under new management. Significant losses turned around and business integration/restructuring implemented

-  **USA**
 - Results to September 2005 showed improving financial performance
 - Integration of DHL and Airborne networks in September had a temporary, but very serious, effect on service and profitability
 - Result was full year performance was little changed over 2005

- DHL Express USA saw an improvement over 2004, both in Revenue and EBIT
- Service performance and financial improvement experienced in 1st half undone by integration of DHL and Airborne networks in 3rd/4th Quarters
- Revenue loss in 4th Quarter 2005 led to material widening of loss run-rate
- Although service is back at all-time highs, the financial effect will continue through the 1st & 2nd quarters of 2006 before stabilizing
- 2nd half of 2006 should see revenue growth restored in all products leading to materially improving financial results from then on
- Network integration had to be undertaken. Cost and service objectives met, but offset by unplanned revenue loss

Operations

- Operational stability paramount
- No further material integration or restructuring required
- Full Ground Product Management Team now in place

Revenue

- Air Express revenue back into positive growth by June
- International revenue to grow strongly
- Ground revenue to maintain double-digit growth
- Ground yield to materially improve

Costs

- Flat or reduced operational costs
- Material reduction (>15%) in ground cost per package
- Overheads to further reduce before stabilizing

- **DHL needs to succeed in the US to achieve global leadership**
- **Started from very weak position with complexity of acquisitions and integration**
- **Clearly known to all that this was a long and difficult challenge**
- **Also clear that this industry is buoyant and capable of sustaining 10%-15% margins**
- **No reason to believe that DHL cannot achieve comparable margins**
 - ~ DHL Asia and Emerging Markets
 - ~ Turnaround in Canada
- **Strategy in the US clear, but strength of competition means it will take time**
- **Setbacks in 2005 do not change overall direction**

The 200+ countries of RoW are almost all performing well other than the US...

-  **Asia Pacific**
 - Another strong year with revenue growth of >20%
 - Increasing role as innovation and development center for DHL Express

-  **Emerging Markets**
 - Strong results with revenue and EBIT increasing
 - Continued strong growth in most markets

-  **Latin America**
 - Strong results with revenue and EBIT increasing
 - Separation of the region to bring greater focus

-  **Canada**
 - Canada to continue excellent 2005 turnaround performance
 - Materially improved EBIT performance

-  **USA**
 - Rebuilding of Air Express revenues
 - Costs remaining flat or declining across all categories
 - Productivity & Pricing improving product contribution, especially Ground
 - Run rate deterioration in last quarter will lead to another loss in 2006 before strong improvement in 2007