

Restructuring of DHL U.S. Express – Group 9-Month Results

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Bonn, 10 November 2008



Agenda

State of the company and current challenges (Frank Appel)

DHL Express U.S. restructuring in detail (John Mullen)

9-month results and Roadmap to Value (John Allan)

Summary (Frank Appel)

Key Group challenges have full CEO focus



Postbank



U.S. Express



Economy

Key challenge: Future path of Postbank



Postbank



U.S. Express



Economy



Sale of 29.75%
Postbank shares
to Deutsche Bank



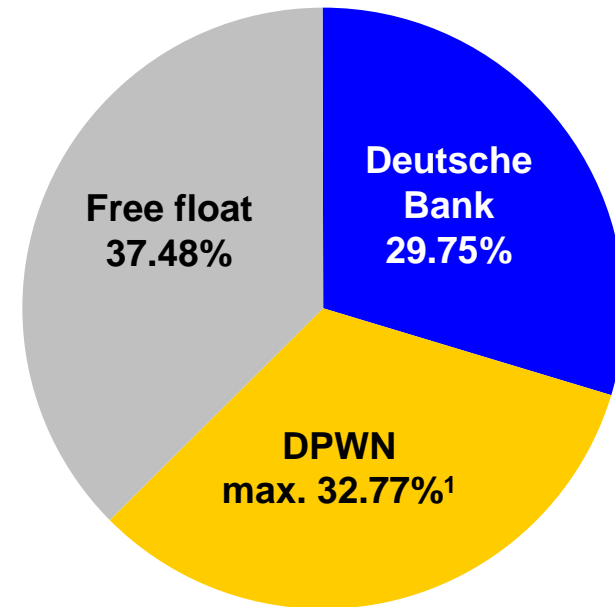
Transition of Postbank into new ownership well on track

Milestone agreement on 12 Sept. 2008:
Sale of 29.75 % stake in Postbank
to Deutsche Bank

Next steps:

- Closing of transaction expected for early 2009
- Call / Put facilities in place
 - Call: 12-36 months after closing
 - Put: 21-36 months after closing

New Postbank ownership structure
after closing of transaction



¹ Assuming DPWN will buy all shares from the rights issue

Key challenge: U.S. Express business



Postbank



U.S. Express



Economy



Final decision on
restructuring

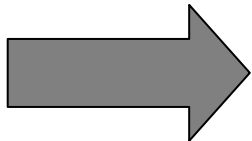


U.S. Express restructuring started

28 May 2008

Decision on DHL U.S. Express restructuring

- **Contract with UPS to provide air uplift for all North American DHL shipments**
- **Streamlining of ground and pick-up and delivery network in the U.S.**
- **Reorganization of Selling, General & Administrative functions**



Current restructuring plans on track and in line with expectations

Global economy dictates more prudent action in the U.S.

**Weakening
U.S. economy**

**Current global
economic conditions**

**Further restructuring
measures needed**

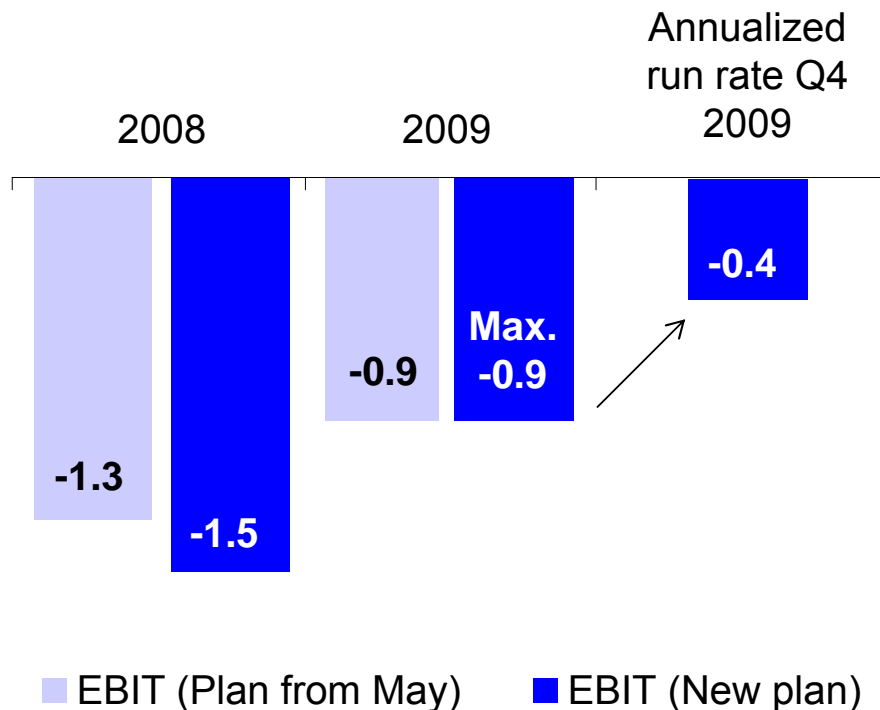
Need for further action

- **Continued weakening of U.S. economy** leads to ongoing decline in express air volumes in the U.S.
- **Closure of loss-making domestic U.S. air & ground business**
- **Focus on DHL core strength** (most comprehensive choice for international shipping)
- Retention of a **strong international capability across the U.S.**
- Maintaining **full global network coverage**

Concentration on 'International Only'

Accelerated profit improvement by \$ 1bn U.S. loss reduction within 6 months of closure

Financials (in \$ bn)



- Planned annual operating costs reduction in U.S. Express business from current \$ 5.4bn (€ 4.2bn) to less than \$ 1bn (€ 0.8bn)
- The value the U.S. Express business generates for the global Express network will clearly exceed annual losses
- Additional spend of \$ 1.9bn (€ 1.5bn) on the restructuring brings the total number to \$ 3.9bn (€ 3bn)
- The majority of the total restructuring costs expected to be booked in 2008 with the remainder in Q1 2009
- Reduction of risk levels due to downsizing
- We aim to meet our cost of capital in 2010 for the global DHL Express business

We remain fully committed to the U.S. market.

DHL Express U.S. (future set-up)

- Employees: 3,000 – 4,000 (after February 2009)
- Geographical coverage: 103 stations focused on internat. business



All other DHL U.S. business units -> remain in place

- DHL Global Forwarding
 - DHL Exel Supply Chain
 - DHL Global Mail
- more than 25,000 employees in the U.S.
- DPWN remains committed to developing these businesses in the future.

Key challenge: Global financial crisis



Postbank



U.S. Express



Economy



Clear agenda for
Group going
forward

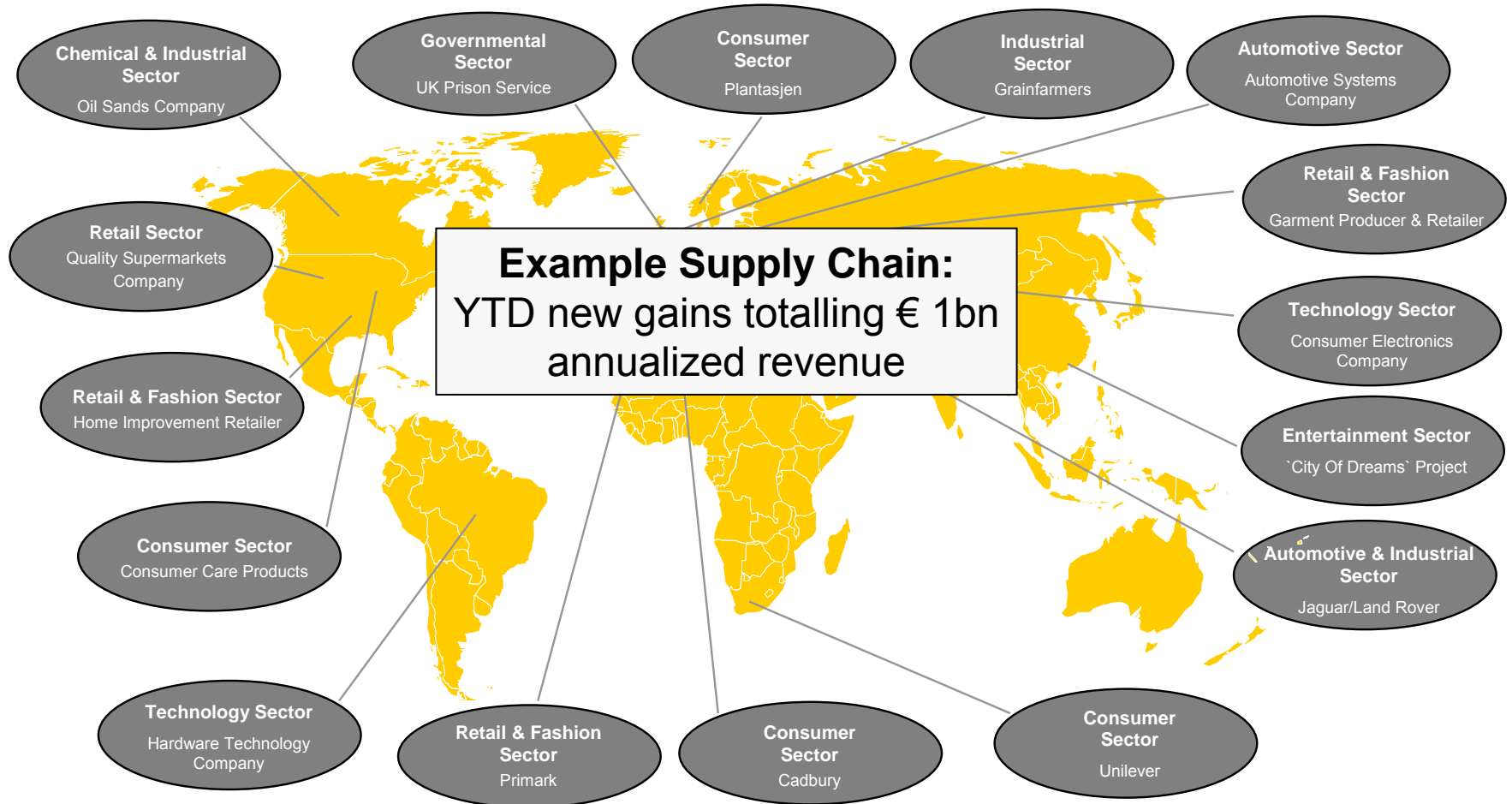


Organic revenue growth amounts to 6.5%¹ YTD

in €m	9M 2007	9M 2008	Change in %
Reported Revenue	39,545	40,454	+ 2.3
Reported EBIT	1,683	2,131	+ 26.6
Underlying EBIT	1,624	1,645	+ 1.3

¹Excluding foreign exchange effects, acquisition effects, and other inorganic effects

Significant organic growth across all divisions



Cost improvement to weather economic slowdown

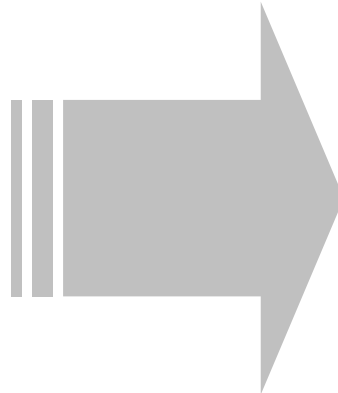


Preparing for a challenging business environment

Original target

- Increasing operational profitability
- Started a series of bottom line improvement programs totalling € 1bn by end of 2009
- Thereof € 500m in profit improvements and cost reductions in 2008

**On track to achieve
2008 target**



New target

- Profit improvement target of another € 500m in 2009 replaced
- Stronger focus on strict cost cutting
- Reduce operating and non-operating spending

**Additional €1bn
by end of 2010**

Outlook

Given the high level of uncertainty about growth prospects as a result of the global financial crisis and weakening world economy we expect **underlying EBIT for the group of around €2.4bn.**

The **principal shortfall versus previous targets will arise in the Express** division which is predominantly impacted by deteriorating market conditions in the US. Other divisions are likely to be slightly impacted.

Due to increased costs for the US Express restructuring, one-off charges of € 400-500m in other businesses and possible write-downs on goodwill and intangible assets of around € 1bn within the Supply Chain/CIS division, **the group will probably see a full-year reported net loss for 2008.**

We **expect underlying EBIT to grow in 2009.** However, the management board will only give a specific outlook once the economic prospects have become sufficiently clear.

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Summary (Frank Appel)

Focus on our core strength: International products and services

- **Closure of domestic air and ground business in the US effective 30th January 2009**
- Continue to **enhance our international capability** in the US by focusing on our very strong international network capability of over 100 stations and dedicated international linehaul
- **Refocus our US business on DHL's industry-leading suite of international products and services**, ensuring global network capabilities are preserved and full coverage of the US is maintained
- Based upon the strength of our comprehensive international network both in the U.S. and globally, we will **remain the most competitive choice for international shipping**
- **Personnel-to-package ratio for international shipments is doubling** and along with other advantages of the reorientation, the network will deliver a very competitive level of service performance



Focus on delivering savings quicker and reducing risk

Under the new International Only scenario the risk exposure is materially reduced and the loss reduction achieved earlier than originally planned

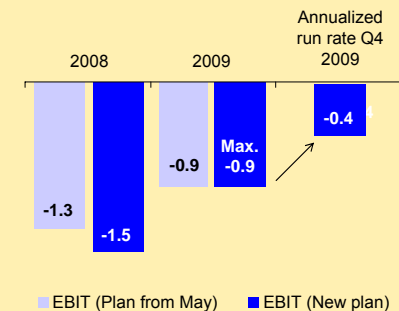
International Only

Risk Exposure

- Lowest risk option in difficult economic environment
- Cost base reduction from c\$5.4 billion to <\$1bn structurally reduces risk even if volumes fail to meet expectations

Steady State Financial Impact

- Restructuring largely complete by mid year 2009
- Stabilize at an annualized level of \$ 400m already in Q4 2009
- Earlier improvement than originally planned



Cost of Change

- US\$3.9bn in total – an increase of US\$1.9bn from original restructuring
- Increase due to significant additional reductions in facilities, aircraft and workforce numbers, primarily in Express US
- Total charge taken over 2 years, majority to be expensed in 2008

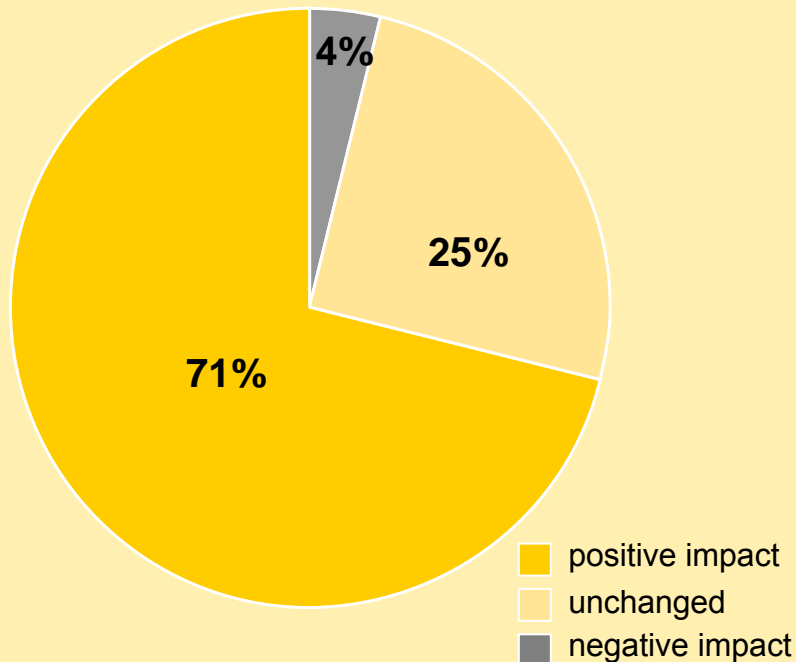
Move to an *International Only* capability reduces cost by more than 80% while maintaining high service coverage

	Current State	International Only
Service and Volume	<ul style="list-style-type: none"> • International TDI into/from the US • Domestic air and ground in the US • Full service provider in line with major US-based competitors 	<ul style="list-style-type: none"> • International TDI into/from the US • No US domestic Express • Specialist in international Express in line with core strength of DHL EXPRESS
Air Network	<ul style="list-style-type: none"> • Capacity in place for 1.2m shipments per day 	<ul style="list-style-type: none"> • Air capacity requirement now less than 100k shipments per day
Pick up and delivery	<ul style="list-style-type: none"> • 412 stations • 18 ground hubs 	<ul style="list-style-type: none"> • 103 stations • 0 ground hubs
Information Technology	<ul style="list-style-type: none"> • ~ 600 US unique systems • High complexity as US proprietary systems 	<ul style="list-style-type: none"> • ~ 100 global standard systems • Broad Int'l prod. capabilities
Organization	<ul style="list-style-type: none"> • Approx. 13,000 DHL employees 	<ul style="list-style-type: none"> • Approx. 3,000-4,000 DHL employees
Cost Structure	<ul style="list-style-type: none"> • Annual cost: ≈ \$5.4 bn 	<ul style="list-style-type: none"> • Est. cost: ≈ <\$1 bn

International service will remain highly competitive

New DHL US Network – Impact on Inbound & Outbound Service

DHL will continue to deliver to all US ZIPS...



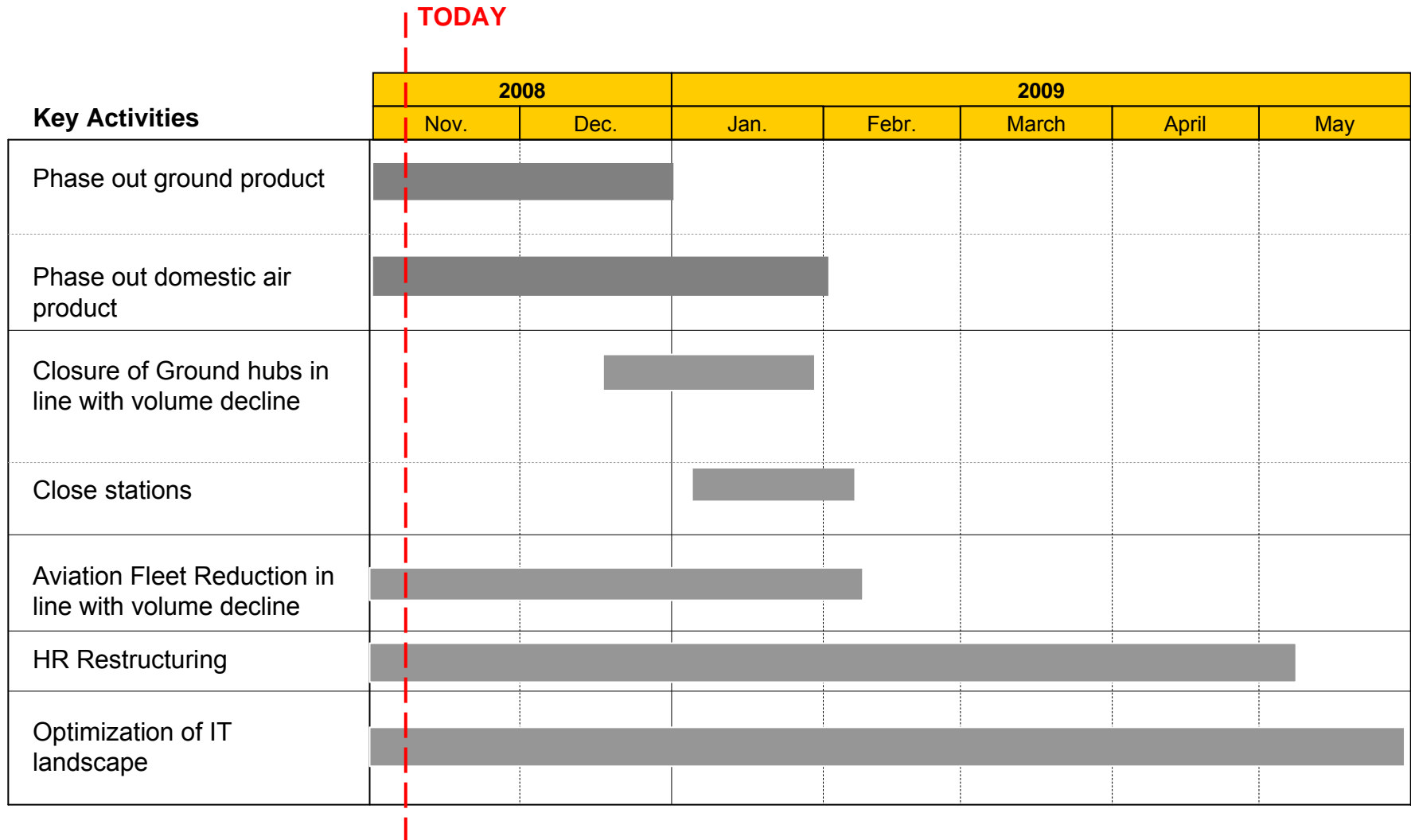
... while 71% of all international shipments to and out of major metropolitan areas* will benefit from *improved* service levels

Future improvements

- Earlier delivery times
- Later 'call-in collection time'
- Estimations indicate a significant improvement over competitors UPS, FedEx in these areas

* New York, Los Angeles, Dallas, Atlanta, Chicago. Note: across all U.S. zips 86% delivered / picked up at improved or unchanged service levels

Swift execution of ground and domestic air closure



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Group level financial overview

Continuing operations



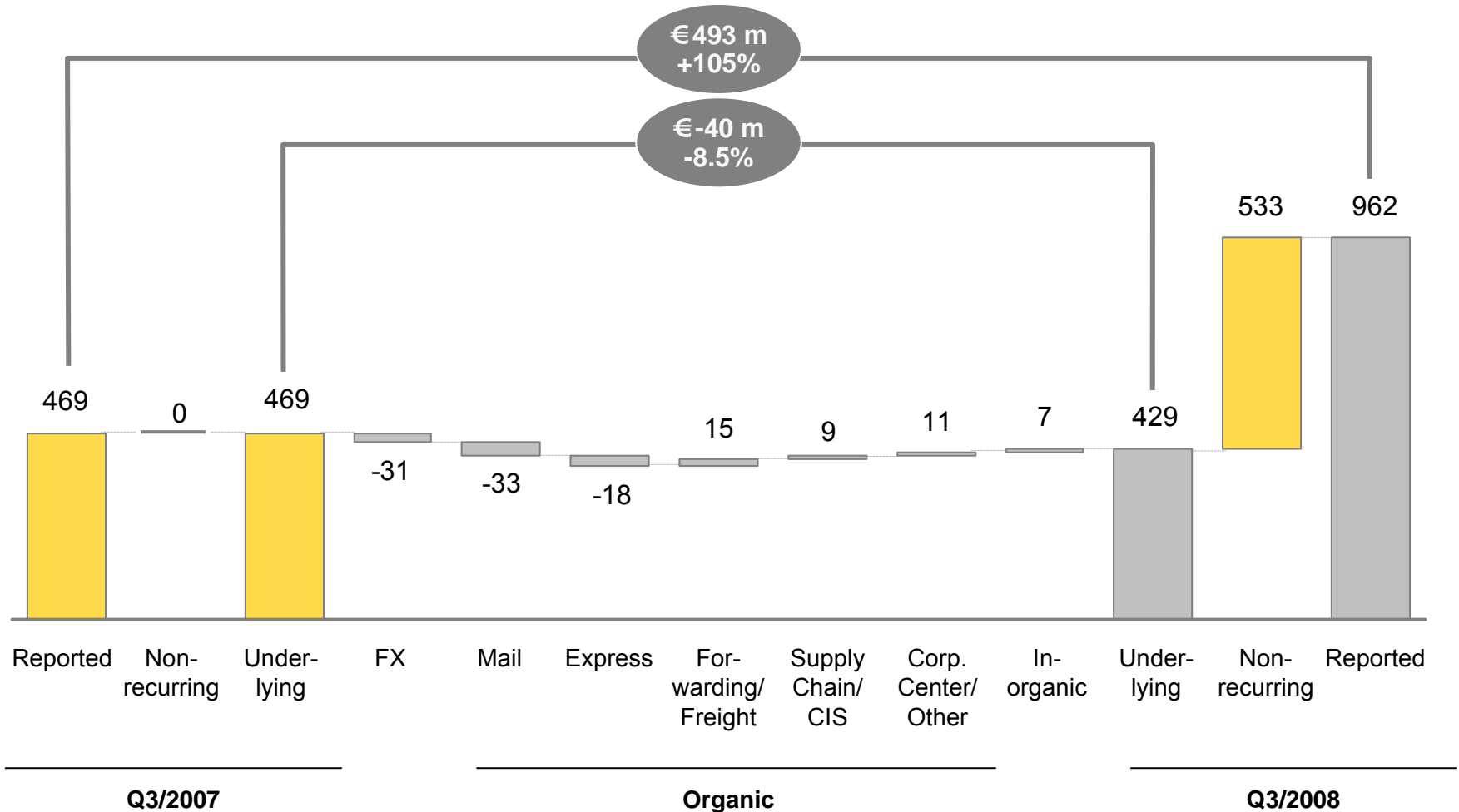
€m	Q3/2007	Q3/2008	Δ	Organic
Revenue	13,258	13,801	+4%	+7%
EBIT				
• Reported EBIT	469	962	+105%	
• Underlying EBIT	469	429	-9%	

- Organic revenue up 7%
- Reported revenue gains 4%, held back by negative currency effects
- Underlying EBIT declined 9% with growth in Forwarding/ Freight and Supply Chain/ CIS
- Payback of EU state aid
 - € 572m included in Mail EBIT
 - € 495m booked in financial result

Underlying EBIT of -9% in Q3

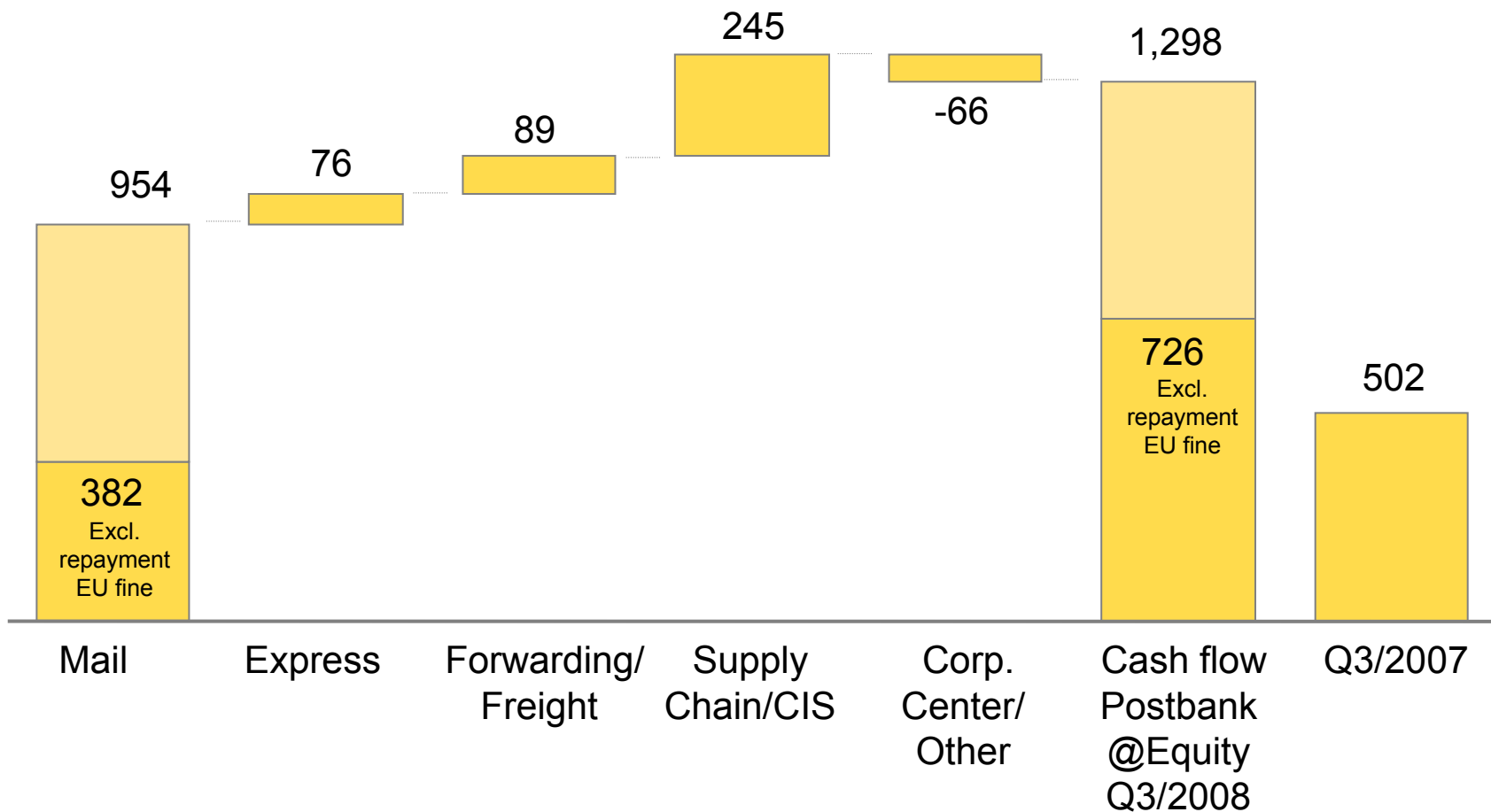
Underlying EBIT development (Q3/2008 vs. Q3/2007)

€ m



Mail remains strongest cash contributor

Operating cash flow by division Postbank@equity (Q3/2008)
 € m



MAIL – Divisional results overview



€m	Q3/2007	Q3/2008	Δ	Organic
Revenue	3,406	3,409	-%	1%
EBIT				
• Reported EBIT	305	844	+177%	
• Underlying EBIT	305	272	-11%	
Volume (m units)				
• Mail Communication	1,911	1,936	+1%	
• Dialogue Marketing	2,584	2,882	+12%	
• Global Mail	1,678	1,761	+5%	
• Parcel	182	182	-	
<ul style="list-style-type: none"> ▪ Reported EBIT includes € 572m of payback of EU state aid ▪ We are maintaining our market position with all major key accounts ▪ Due to our high quality, we have overall won back more business from competition 				

EXPRESS – Divisional results overview



€m	Q3/2007	Q3/2008	Δ	Organic
Revenue	3,363	3,475	+3%	+6%
EBIT				
• Reported EBIT	69	-2	-	
• Underlying EBIT	69	37	-46%	
• Underlying EBIT outside US	233	252	+8%	
Shipments per day ('000s)				
• Time Definite International	514	499	-3%	
• Time Definite Domestic	1,333	1,177	-12%	
• Day Definite Domestic	1,276	1,226	-4%	
<ul style="list-style-type: none"> ▪ Organic revenue growth outside the US supported by fuel surcharges; double-digit growth rates in Asia/Pacific and EEMEA and single-digit growth in Europe ▪ Underlying EBIT outside the US up 8% 				

FORWARDING/FREIGHT

- Divisional results overview



€m	Q3/2007	Q3/2008	Δ	Organic
Revenue	3,273	3,801	+16%	+18%
EBIT				
• Reported EBIT	102	116	+14%	
Volumes				
• Air Freight ('000s tons)	1,137	1,091	-4% ¹	
• Market growth			~ -4%	
• Ocean Freight ('000s TEU)	686	795	+16%	
• Market growth			~ +7 to +8%	
<ul style="list-style-type: none"> Overall, strong financial performance despite effects of volatile business environment Organic revenues increased by 18%, EBIT up by 14% DHL Global Forwarding volumes ahead of market 				

¹Real growth airfreight tonnage Q3 2007 / Q3 2008 is -1% and hereby above market rate. Difference to -4% due to timing difference of cut off dates between Q3 2007 / Q3 2008. Full year this effect will be neutralized

SUPPLY CHAIN/CIS* - Divisional results overview



€m	Q3/2007	Q3/2008	Δ	Organic
Revenue	3,617	3,481	-4%	+3%

EBIT

• Reported EBIT	113	113	-
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Contracts won – Annualized revenue in € m (Supply Chain)

• New gains in Q3/2008	450
• New gains in 9M/2008	1,000
• Renewal rate (Q3 and 9M)	90%

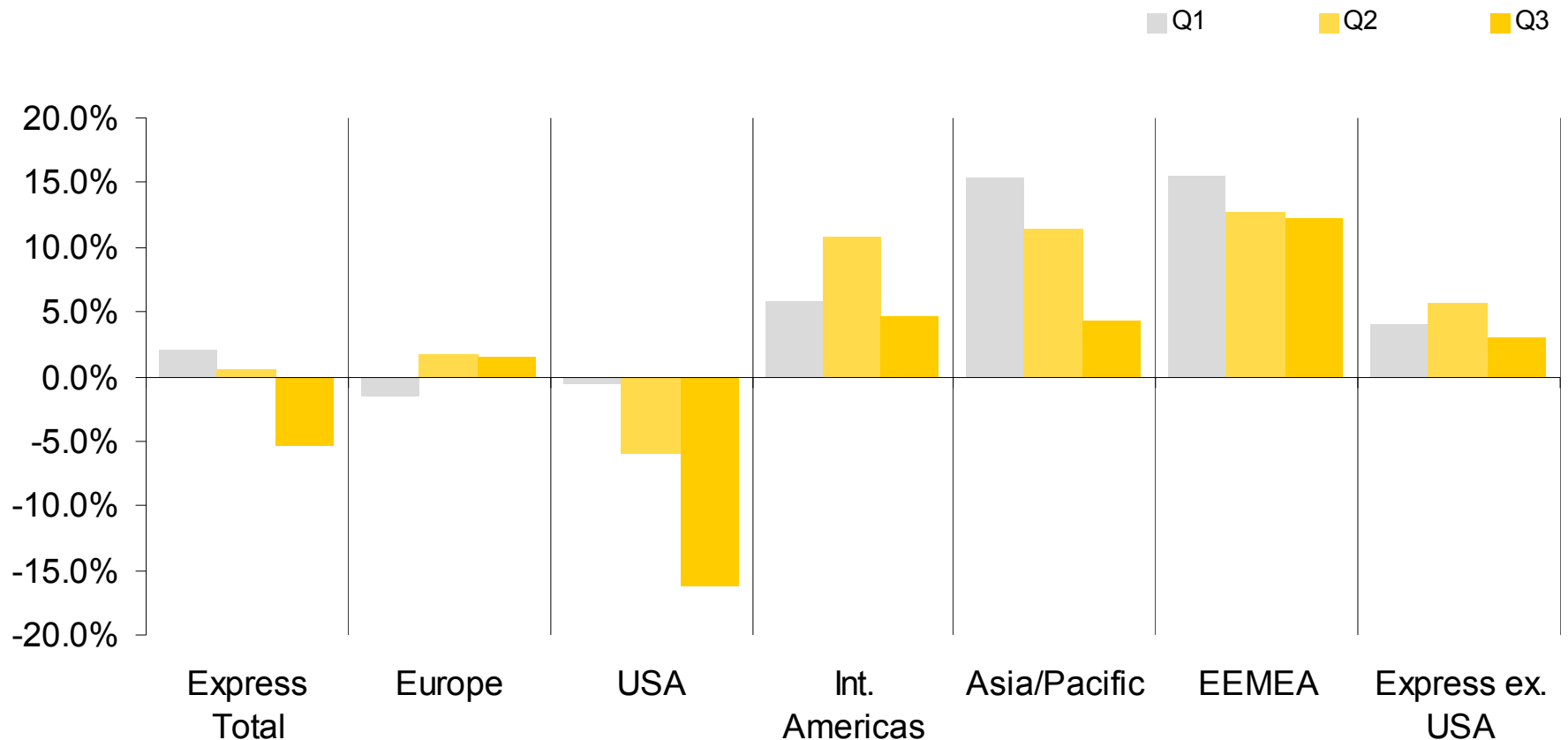
- Sound performance despite adverse currency movements
- Reported EBIT flat, excluding negative fx-effects up 8%
- New business wins accelerated in Q3 with continued high renewal rate of 90%

* CIS= Corporate Information Solutions

Volume development EXPRESS

Continuous volume growth outside the US

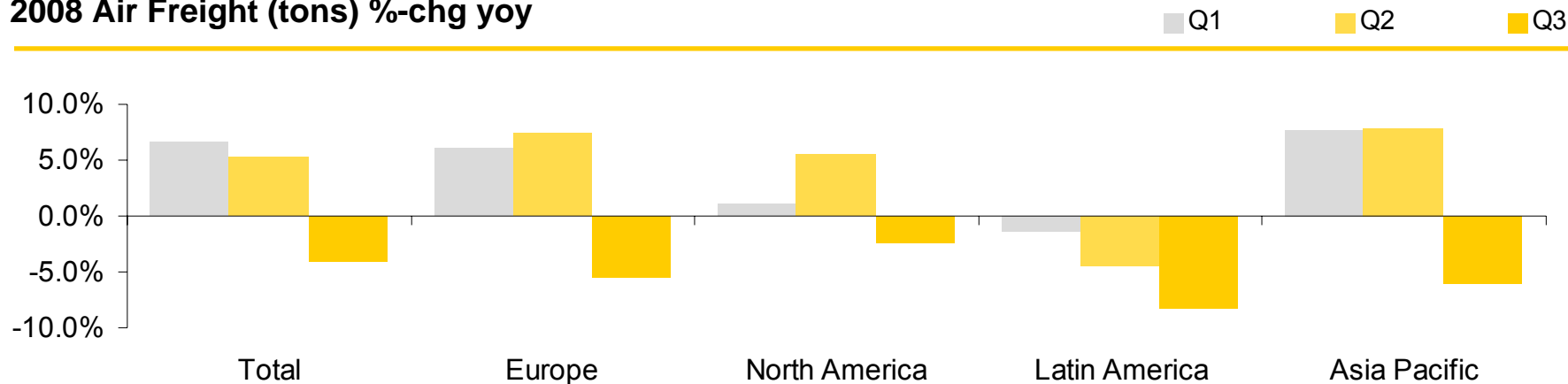
2008 Volume growth Express %-chg yoy (DDI, TDI, DDD, TDD, excl. Others)



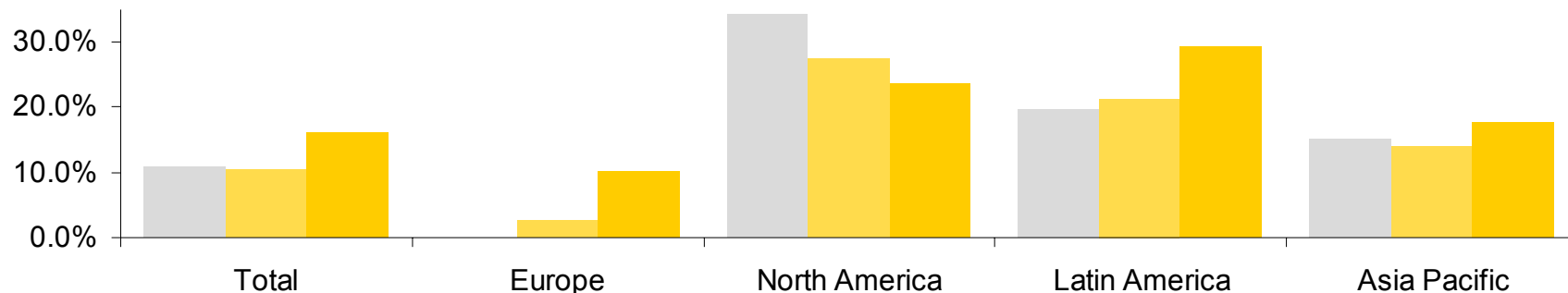
Volume development DHL Global Forwarding

Declining AFR¹ volumes/ OFR² continues to grow double-digit

2008 Air Freight (tons) %-chg yoy






2008 Ocean Freight (TEUs) %-chg yoy



1 AFR = Air Freight
 2 OFR = Ocean Freight

Roadmap to Value – Progress faster than planned

 ROADMAP TO VALUE	Targets	Achievements
 <h2>Profitability</h2>	<ul style="list-style-type: none"> ▪ Bottom line improvement programs ▪ Focus on all underperforming units 	<ul style="list-style-type: none"> ▪ On track to achieve 2008 profit improvement target ▪ New € 1bn target aims to reduce operating and non-operating spending ▪ Final decision on US restructuring
 <h2>Cash generation</h2>	<ul style="list-style-type: none"> ▪ Raise at least € 1bn in cash from disposal of real estate ▪ Reduce working capital ▪ Introduction of EAC concept ▪ Exercise strong Capex discipline ▪ Minimize M&A spend 	<ul style="list-style-type: none"> ▪ Closing of Postbank transaction early 2009 ▪ Proceeds from sale of real estate will amount to € 1.4bn ▪ On track to meet target of cutting € 700m in NWC by end of 2009 ▪ EAC introduced smoothly ▪ Capex on last year's level ▪ M&A spend held down

Roadmap to Value – Transparency:

Change in pension reporting

- Expected return on plan assets will no longer be included in the EBIT from Q1 2009 onwards but will be booked in the financial result
- Will bring DPWN in line with other major German and international companies
- No bottom line impact:** accounting change will only impact EBIT and financial result

	FY 2007	FY 2008e
	△	△
EBIT Group*	-420	-403
t/o Mail	-72	-74
t/o Express	-49	-52
t/o Forwarding Freight	-26	-27
t/o Supply Chain/ CIS**	-273	-250
Financial result	420	403
Net profit	0	0

* Excluding Postbank & Corporate Center/Other

** Decrease driven by fx-effects

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Prospects for DPWN

Challenges

- ✓ **Future strategic path of Postbank**
- ✓ **Clear DHL U.S. Express restructuring path**
- ✓ **Accelerated Roadmap to Value**

Outlook

- Despite uncertain global economy, the trend towards global trade growth and world economic growth will in the long run remain positive.
- We are in the right industry and well placed to meet changing customer needs.
- DPWN is going through a transition, taking decisive and early measures. As a leaner and more focused company we are well positioned to leverage future growth options and benefit from global size and scope.