

## Business and Environment

### Business activities and organisation

#### Our business is global transport

Deutsche Post World Net offers integrated services and customised solutions for the processing and transport of goods and information in a global market.

In the MAIL Division, we transport mail and parcels in Germany, and we are specialists in dialogue marketing and press distribution services. We also offer mail and communications services through direct links to more than 140 countries across the globe. Our portfolio additionally includes a wide range of electronic services.

Our EXPRESS Division provides courier and express services to business and private customers. We can draw on an extensive network that covers 220 countries and territories.

In the GLOBAL FORWARDING/FREIGHT Division, we carry goods by rail, road, air and sea. We are the world's largest air and ocean freight operator and one of the leading overland freight carriers in Europe.

Our SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS Division (hereinafter SUPPLY CHAIN/CIS) is the world leader in contract logistics, providing warehousing and ground-based transport services plus specialist sector-based value-added solutions along the entire supply chain. We also offer end-to-end solutions for corporate information and communications management.

We have centralised the Group's internal services, such as IT and Procurement, into the Global Business Services (GBS) Board Department, which allows us to respond more flexibly to the requirements of our business and leverage economies of scale and cost benefits.

#### Our four operating divisions

The Group is organised into four operating divisions, each of which operates under the control of its own divisional headquarters. The Group management functions are performed by the Corporate Center.

#### Divisions

MAIL	EXPRESS	GLOBAL FORWARDING/FREIGHT	SUPPLY CHAIN/CIS
<ul style="list-style-type: none"> <li>• Mail Communication</li> <li>• Dialogue Marketing</li> <li>• Press Services</li> <li>• Parcel Germany</li> <li>• Retail Outlets</li> <li>• Global Mail</li> <li>• Pension Service</li> </ul>	<ul style="list-style-type: none"> <li>• Europe</li> <li>• Americas</li> <li>• Asia Pacific</li> <li>• EEMEA</li> </ul>	<ul style="list-style-type: none"> <li>• Global Forwarding</li> <li>• Freight</li> </ul>	<ul style="list-style-type: none"> <li>• Supply Chain</li> <li>• Corporate Information Solutions</li> </ul>

### Organisation aligned with strategic orientation

As announced in the prior year and with effect from 1 January 2008, we unbundled the SERVICES Division, allocated the costs of Global Business Services to the operating units and assigned the retail outlets to the MAIL Division. We now report a more narrowly defined unit, Corporate Center/Other.

On 18 February 2008, the Supervisory Board of Deutsche Post AG appointed Dr Frank Appel as the new chairman of the Board of Management after Dr Klaus Zumwinkel resigned from the Board of Management. Dr Appel had been the Board member in charge of the LOGISTICS Division. His appointment prompted us to reallocate responsibility for the logistics business in the middle of the first quarter and divide it between two Board of Management members. Since that time, Hermann Ude has headed the Global Forwarding and Freight business units, and Bruce Edwards has headed the Supply Chain and Corporate Information Solutions business units.

This new structure reflects the increasing business volume and the different business models: Global Forwarding and Freight engage chiefly in transport services, whilst Supply Chain and Corporate Information Solutions offer customised logistics and communications solutions. We have reported this structure under segment reporting since the second quarter of 2008. We successively reorganised the global and regional organisational structure of the two new Board departments.

In the third quarter, the Pension Service was reallocated from the FINANCIAL SERVICES Division to the mail business. Having agreed to the sale of our subsidiary, Deutsche Postbank, we have reported its activities under “discontinued operations” since the third quarter of 2008. Dr Wolfgang Klein resigned from Deutsche Post’s Board of Management effective 10 November 2008.

## Disclosures required by takeover law

Disclosures required under Sections 289 (4) and 315 (4) of the *Handelsgesetzbuch* (HGB – German commercial code) and explanatory report

### Composition of issued capital, voting rights and transfer of shares

As at 31 December 2008, the company’s share capital totalled €1,209,015,874 and was composed of the same number of no-par value registered shares. Each share carries the same statutory rights and obligations and entitles the holder to one vote at the Annual General Meeting (AGM). No individual shareholder or group of shareholders is entitled to special rights, particularly rights granting powers of control.

The exercise of voting rights and the transfer of shares are based on the general legal requirements and the company’s Articles of Association, which do not restrict either of these activities. Article 19 of the Articles of Association sets out the requirements that must be met in order to attend the AGM as a shareholder and exercise a voting right. Only those persons entered as such in the share register are considered by the company to be shareholders. The Board of Management is not aware of any agreements between shareholders that restrict voting rights or the transfer of shares.

### Group structure from different perspectives

#### Corporate government structure

Structure in accordance with governance tasks and responsibilities (boards and committees)

- Corporate Center
- Divisions
- Global Business Services

#### Management responsibilities

Structure in accordance with decision-making responsibility and reporting lines

- Board departments
- Corporate departments
- Business departments
- Service departments
- Regions
- Departments

#### Legal structure

Structure based on the Group’s legal entities

- Deutsche Post AG
- Deutsche Postbank AG

#### Brand names

Structure in accordance with brand names used in customer communication

- Deutsche Post
- DHL

### Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding around 30.5% of the share capital. The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW. According to the notifications we have received pursuant to Sections 21 ff. of the *Wertpapierhandelsgesetz* (WpHG – German securities trading act), KfW and the German government are the only shareholders who own more than 10% of the share capital, either directly or indirectly.

### Appointment and replacement of members of the Board of Management

The members of the Board of Management are appointed and replaced in accordance with the relevant legal provisions (Sections 84 and 85 of the *Aktiengesetz* (AktG – German stock corporation act) and Section 31 of the *Mitbestimmungsgesetz* (MitbestG – German co-determination act)). In accordance with Section 84 of the AktG and Section 31 of the MitbestG, members of the Board of Management are appointed by the Supervisory Board for a maximum of five years. They may be re-appointed or have their term of office extended, in each case for a maximum of five years. Article 6 of the Articles of Association stipulates that the Board of Management must have at least two members. Beyond that, the number of Board members is determined by the Supervisory Board, which may also appoint a chairman and deputy chairman of the Board of Management. Details of changes on the Board of Management during the year under review are reported in [Business activities and organisation](#).



### Amendments to the Articles of Association

In accordance with Section 119 (1), No. 5 and Section 179 (1), sentence 1 of the AktG, amendments to the Articles of Association are adopted by resolution of the AGM. In accordance with Article 21 (2) of the Articles of Association in conjunction with Sections 179 (2) and 133 of the AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented. In cases where the law requires a larger majority for amendments to the Articles of Association, that majority is decisive.

Under Article 14 (7) of the Articles of Association, the Supervisory Board has the authority to resolve amendments to the Articles of Association in cases where the amendments affect only the wording. In addition, AGM resolutions passed on 5 June 2003 (Contingent Capital II), 18 May 2005 (2005 authorised capital) and 8 May 2007 (Contingent Capital III) authorised the Supervisory Board to amend the wording of the Articles of Association to reflect the respective share issue or the use of authorised capital and following the expiry of the respective authorisation period.

### Board of Management authorisation, particularly regarding issue and buy-back of shares

Subject to the consent of the Supervisory Board, the Board of Management is authorised to issue up to 174,796,228 new no-par value registered shares in exchange for non-cash contributions in the period to 17 May 2010 and thereby increase the company's share capital by up to €174,796,228 (2005 authorised capital, Article 5 (2) of the Articles of Association).

Shareholders' pre-emptive subscription rights are disapplied. It is standard business practice in Germany to use authorised capital as acquisition currency. The 2005 authorised capital allows the company to acquire companies and shareholdings flexibly and without recourse to the capital market. The authorised capital is equivalent to less than 15% of the share capital. At the AGM on 21 April 2009, the Board of Management and the Supervisory Board will propose the replacement of the 2005 authorised capital with the 2009 authorised capital in the amount of €240 million.

New no-par value shares may only be issued from Contingent Capital II (Article 5 (3) of the Articles of Association) in order to service the subscription rights granted under the 2003 Stock Option Plan. To this end, the company's share capital has been contingently increased by up to €2,726,658. Up to 2,726,658 Deutsche Post AG shares are still available for subscription under the 2003 Stock Option Plan. It is no longer possible to issue new stock options under the plan.

On the basis of an AGM resolution passed on 8 May 2007, the Board of Management is authorised, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds or a combination thereof (hereinafter referred to collectively as "bonds with warrants and/or convertible bonds") on one or more occasions in the period to 7 May 2012 up to a total nominal value of €1 billion and in doing so grant option and/or conversion rights on new shares with a total notional value of up to €56 million. To this end, the share capital has been contingently increased by up to €56 million (Contingent Capital III, Article 5 (4) of the Articles of Association). When issuing bonds with warrants and/or convertible bonds, shareholders' pre-emptive subscription rights may only be disapplied subject to the terms of the aforementioned authorising resolution and with the consent of the Supervisory Board. The details are contained in the motion under agenda item 7 adopted at the AGM on 8 May 2007.

It is standard business practice amongst publicly listed companies in Germany to authorise the issue of bonds with warrants and/or convertible bonds. This allows the company to be flexible and prompt in financing its activities and gives it the scope it requires to take advantage of favourable market situations quickly and at short notice, for example, by enabling it to offer the company's shares or bonds with warrants/convertible bonds as consideration in a business combination or when acquiring companies or interests in companies. To date, the Board of Management has not made use of this authorisation.

Finally, at the AGM on 6 May 2008, the company was authorised to buy back shares representing up to 10% of the share capital at that date during the period to 31 October 2009. At no time may these shares together with the shares already repurchased and still held by the company represent more than 10% of the share capital. The shares may be purchased through the stock market, a public offer, a public call for offers of sale from the company's shareholders or by some other means in accordance with Section 53a of the AktG. The Board of Management may use the authorisation for any purpose permitted by law, in particular to retire the repurchased shares without a further AGM resolution and with the consent of the Supervisory Board. The details are contained in the motion under agenda item 6 adopted at the AGM on 6 May 2008.

It is standard business practice amongst publicly listed companies in Germany for the AGM to each year authorise the company to buy back shares. At the AGM on 21 April 2009, the Board of Management and the Supervisory Board will propose that this authority be granted for a further year.

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Any public offer to acquire shares in the company is governed solely by the law and the Articles of Association, including the provisions of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG – German securities acquisition and takeover act). The AGM has not authorised the Board of Management to undertake any action within the former's authority to block possible takeover bids.

**Significant agreements that are conditional upon a change of control following a takeover bid and agreements with members of the Board of Management or employees providing for compensation in the event of a change of control**

If a takeover occurs, Board of Management members Hermann Ude and Bruce Edwards are each entitled to resign their office as a member of the Board of Management for good cause within a period of six months following the change in control after giving three months' notice as of the end of the month and to terminate their Board of Management contracts (right to early termination). In the event of the right to early termination being exercised or a Board of Management contract being terminated by mutual consent under the same conditions, the Board of Management member is entitled to payment to compensate the remaining term of his Board of Management contract. Such payment is limited to the cap pursuant to the recommendation of No. 4.2.3 of the German Corporate Governance Code as amended on 6 June 2008. The agreements are outlined in the [Remuneration Report](#).

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## Remuneration of the Board of Management and the Supervisory Board

→ Remuneration Report, page 116 ff.

The [basic features of the remuneration system](#) for the Board of Management and the Supervisory Board are described in the Corporate Governance Report under Remuneration Report. The latter also forms part of the Group Management Report.

## Economic parameters

### Downturn in world economy

Growth in the global economy slowed appreciably in 2008. To start with, the world markets appeared robust but, as the year went on, the fragility emanating from the United States spread to an increasing number of countries and regions. The situation was made much worse by the extremely high oil price and very weak US dollar. When the financial market crisis escalated in September, the downward trend accelerated. Global economic output rose by only 3.4% (previous year: 5.2%), the international exchange of goods by 4.8% (Global Trade Navigator) – the lowest growth since 2002.

#### Growth indicators for 2008

%	Gross domestic product	Exports	Domestic demand
USA	1.3	6.5	-0.1
Japan <sup>1)</sup>	-0.4	2.5	-0.7
China	9.0	17.2	n/a
Euro zone <sup>1)</sup>	0.9	1.5	0.8
Germany	1.3	3.9	1.6

1) Estimates as at 2 February 2009; source: Postbank Research, national statistics.

In the United States, the housing market crisis, the weakness of the financial markets and the at times very high oil prices have led to flagging domestic trade. Private consumption stagnated overall, even shrinking in the second half of the year. The economy was propped up by foreign trade, although this also began to suffer as a result of the global recession in the further course of the year. Gross domestic product (GDP) grew by as little as 1.3% (previous year: 2.0%), the smallest increase since the recession of 2001.

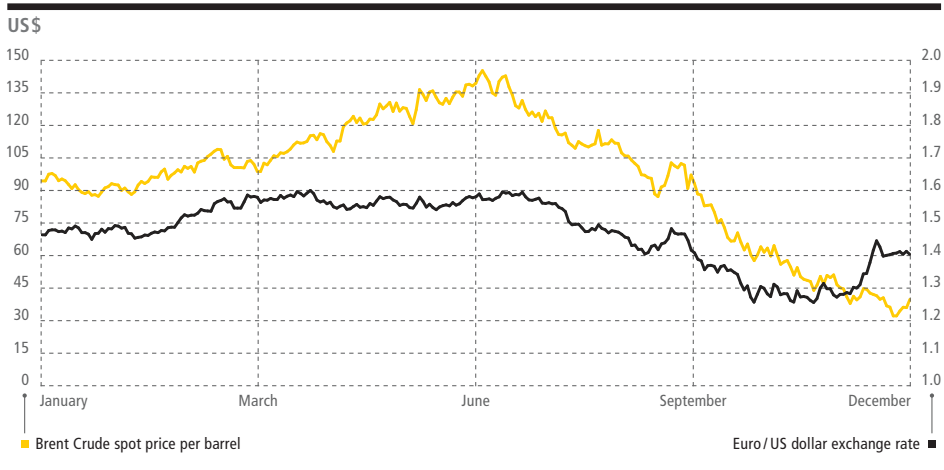
Even Asia was unable to buck the global trend. Although the continent's emerging markets recorded the highest growth at nearly 8%, this still fell well short of the prior-year figure (+10.6%). In China, GDP increased by 9.0% and exports improved by 17.2%. The trade surplus climbed to some US\$295 billion. The country is also retaining its appeal to foreign investors, whose direct investments actually rose to around US\$92 billion.

Since the Japanese economy depends heavily on exports, it has been particularly hard hit by the global slowdown. GDP fell by 0.4%, which means Japan was already clearly in recession in 2008.

After a good start to the year, the euro zone economy has been slowing since the spring. Private consumption and investments have fallen, whilst unemployment increased. Moreover, the strong euro proved to be a drag on exports. The crisis on the financial markets hugely intensified the recessive trends in the autumn; GDP only grew by another 0.9% (previous year: 2.6%).

Germany also suffered a downturn following the dynamic start to the year. Foreign trade put a damper on growth and private consumption stagnated. Despite a noticeable drop in unemployment and increased incomes, German citizens nevertheless maintained consumption at a constant level. At +1.3%, GDP growth was higher than in the euro zone as a whole but still well below the prior-year level (+2.5%).

**Brent Crude spot price and euro/US dollar exchange rate in 2008**



**Oil price rollercoaster ride**

The average annual oil price was around 34% higher than in 2007 but prices were wildly erratic. In the first half of the year, international oil prices soared. A barrel (159 litres) of Brent Crude climbed from just under US\$100 at the start of the year to

a peak of US\$145. In the second half of 2008, the recessive trends caused energy demand to fall sharply. In December, the oil price dropped to around US\$40 per barrel, its lowest level since 2004.

#### Euro hits historic high

In the first six months of 2008, the US dollar was under immense downward pressure. The weak US economy and the crisis on the financial markets prompted the Federal Reserve to reduce its key interest rate seven times in 2008 from 4.25% to a range of between 0% and 0.25%. Since the European Central Bank (ECB) initially held its rate steady at 4%, even raising it to 4.25% in July, the euro's interest rate advantage over the US dollar increased, bringing it to an all-time high of US\$1.60. This trend shifted in the second half of the year. Economic weaknesses and falling price pressure provoked the ECB to lower its key interest rate as far as 2.5%. This meant the euro once again depreciated in value against the dollar, closing the year at US\$1.40. Measured against the pound sterling, the euro posted a 30.1% gain.

#### Corporate bonds suffer under financial market crisis

In the euro zone, capital market returns rose in the first half of the year but fell sharply thereafter. At the end of the year, ten-year German treasury bonds were yielding just under 3%, some 1.4 percentage points less than at the end of 2007. In the same period, the return on ten-year US treasury bonds fell by 1.8 percentage points to only 2.2%. Although the interest rates have fallen steeply, the climate for corporate bonds has deteriorated. The financial market crisis has unsettled investors to such an extent that risk premiums have leapt right up, even for high-quality corporate bonds.

#### Slowdown in international trade growth

International trade depends to a large extent on how dynamic global economic development is. Hence, although it did grow again in 2008, this growth was clearly below the prior-year levels on almost all major trade lanes. North American imports even declined.

Furthermore, the growth structure shifted. A look at the trade flows between Asia Pacific and the United States or Europe shows that imports on these lanes are growing faster than exports. At the same time, trade flows within Asia – the second largest domestic market after Europe – are growing much faster than trade flows within Europe.

#### Compound annual growth rate 2007–2008

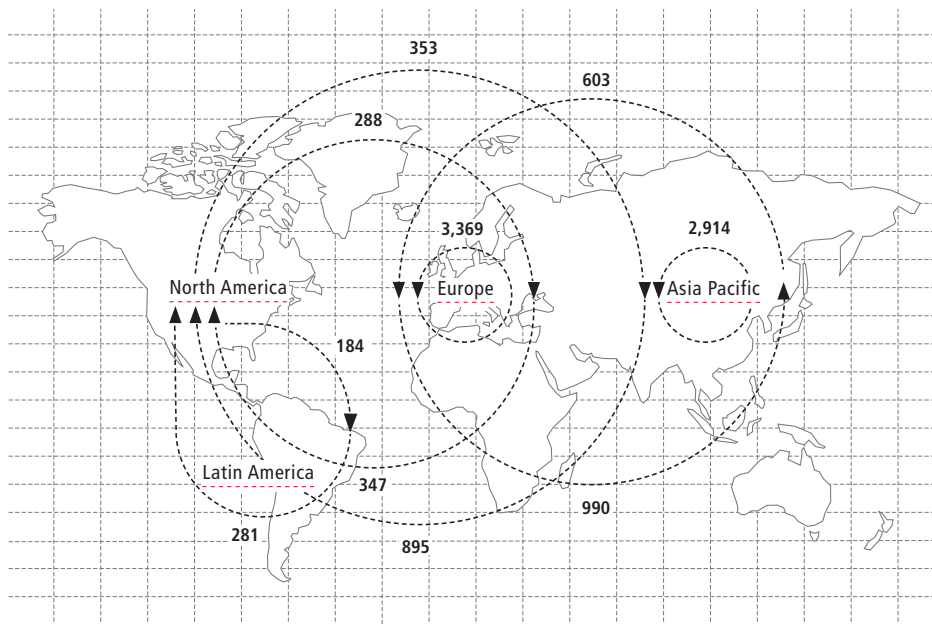
		Import			
Export		Asia Pacific	Europe	Latin America	North America
Asia Pacific		9	7	9	-2
Europe		12	2	7	-3
Latin America		7	4	4	-3
North America		5	5	6	-2

Source: Global Trade Navigator, as at December 2008.

The following diagram shows the volumes of the most important international trade flows.

**International trade flows: volumes 2008**

US\$ billion



Source: Global Trade Navigator.

**What impacts our business?**

We operate worldwide and are represented in over 220 countries and territories, including all major economic regions. The following overview shows the overall market as well as the courier, express and parcel (CEP) markets relevant to us; the regions reflect our business structure. The relevant parameters and our market shares are detailed in the Divisions chapter.

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**Market volumes**

Global	Europe	USA	Asia
<ul style="list-style-type: none"> <li>• Cross-border mail market (2008): €10.4bn<sup>1)</sup></li> <li>• Air freight (2007): 20.9m tonnes<sup>3)</sup></li> <li>• Ocean freight (2007): 29.6m TEU<sup>6)</sup></li> <li>• Contract logistics (2007): €206bn<sup>8)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• German mail communication market (2008): €6.5bn<sup>1)</sup></li> <li>• CEP international (2007): €15.3bn<sup>4)</sup></li> <li>• Road transport (2007): €163.7bn<sup>7)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• Global mail (2008): €50bn<sup>1)</sup></li> <li>• CEP international (2007): €7.5bn<sup>5)</sup></li> </ul>	<ul style="list-style-type: none"> <li>• CEP international (2007): €5.9bn<sup>2)</sup></li> </ul>

1) Company estimates. 2) Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN; international shipments < 1,000kg. Source: AT Kearny, TMS 2008. 3) Data are based solely on export freight tonnes; source: Global Insight, Global Trade Navigator. 4) Country base: A, B, BG, CH, CZ, D, DK, E, FIN, GB, GR, H, I, IRL, L, N, NL, PL, RO, S, SK, SLO; international shipments < 1,000kg. 5) New market portrayal: these figures are estimates for outbound international shipments < 1,000kg. Source: MRSC in co-operation with Colography Group 2008. 6) Twenty-foot equivalent unit. 7) Total for 14 European countries, excluding bulk and specialities transport. Source: MRSC, freight reports 2007 and 2008, Eurostat 2007. 8) Company estimates based on Datamonitor input.

Economic developments and the shift in customers' behaviour have prompted us to re-examine the most important factors determining our business. Four trends that have proven to be stable and irreversible in a range of scenarios are making a strong impact on our business:

- ❶ **Globalisation** The elimination of trade and customs barriers is enabling companies to develop new markets and move activities to locations that offer competitive advantages. As a result, trade is growing more quickly in the international than the national arena, fuelling demand for transport and logistics. It is, however, to be expected that low-value, labour-intensive products will increasingly be produced in countries that are geographically close and have a low wage level. Also, for less time-critical shipments, demand is expected to rise for more fuel-efficient transport. Since we are well positioned in the typical low-wage countries of Eastern Europe and Latin America and our range of services covers all means of transport, we will also benefit from this trend.
- ❷ **Outsourcing** In times of economic stagnation, pressure on companies to reduce costs and streamline business processes increases. For this reason, there is a growing trend towards outsourcing. Also, supply chains are becoming more complex and are being placed increasingly on an international footing. Accordingly, an increasing number of customers are demanding integrated solutions that provide them with a broad range of services worldwide. As a global, integrated logistics service provider, we benefit from this trend.
- ❸ **Digitalisation** The internet has changed the way in which information is exchanged. Written communication is being replaced increasingly by electronic data transmission. Quantities and revenues are declining, especially in the traditional mail business. On the other hand, the internet brings dealers and customers closer together and creates new demand for transport of goods, advertising materials and contract documentation.
- ❹ **Climate change** There is a growing awareness for the environment and climate. Although it is not yet possible to completely assess what the effects of the move towards a more eco-friendly industry will be, we see great opportunities for ourselves. Demand is now emerging for climate-neutral products, which we have already begun to develop. Furthermore, legislation is being passed that forces companies to reduce their CO<sub>2</sub> emissions. We help companies to comply with requirements by providing energy-efficient transport.

#### Legal environment

In view of our leading market position, a large number of our services are subject to sector-specific regulation under the German postal act. Further information on this issue and legal risk is contained in the Notes to the consolidated financial statements.



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## Strategy and goals

### Prepared for difficult times

The economic decline has affected the entire logistics sector, including many of our customers. We are nonetheless convinced that our strong brands and global reach will serve us well in the difficult times ahead. The Group spent 2008 solving key strategic issues and thus laying the foundation for future growth in our core competencies.

### Sale of Postbank agreed

For our subsidiary, Deutsche Postbank AG, we have found a reliable partner for the future in Deutsche Bank. We also succeeded in establishing attractive conditions for the transaction despite the difficult market climate. In so doing, the Group has set a new course for the future. We will be shifting focus to our core competencies – mail, express and logistics – and gradually exiting the financial sector. Deutsche Post and Postbank will nonetheless continue to share retail outlets even beyond 2012.

### US express business to be restructured

Another decision of far-reaching consequence involved our express business in the United States, where we have initiated restructuring activities in order to reduce the losses there and alleviate risk for our Group. We will also be concentrating on our core competencies in this market: shipments to and from the US. We are confident that this is the best way for us to serve customers in the US, which continues to be an important market. This decision will also give our company room to move forward and attain profitable performance on a reliable basis. The restructuring will not affect the other DHL business units in the United States. We will continue to invest in these businesses in the future.

### Initiatives launched to boost growth and profit

We take our responsibility to our customers' needs, our employees, our investors and society very seriously. A vital part of this responsibility is ensuring that our operations management is geared towards profitable, sustained growth. To reach this goal, we have launched several Group-wide initiatives:

① **First choice for customers** The better we know our customers' needs, the better we are able to respond to them. For this reason, many of our business units have surveyed customers to find out how satisfied they are with our services. As part of our First Choice programme, we systematically evaluate the survey findings, which we use to improve specific aspects of our service quality. Every hour, we have more than one million interactions with customers – opportunity enough to give them a good impression of our services.

The success of this programme proves us right: All organisational units that have implemented these initiatives have demonstrably higher levels of customer satisfaction. In 2008, this resulted in additional Group revenues. Moreover, those business units operating under the DHL brand and Global Business Services succeeded in reducing their costs.

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- ② **Every ONE counts** This was the motto of our second Group-wide employee survey, which aims to measure and support employee commitment. It also shows management how familiar employees are with key strategic issues and how strongly they identify with them. This helps us increase transparency – a central focus of our corporate and leadership culture.
- ③ **Creating added value for investors** Our Roadmap to Value capital markets programme is aimed at making us not only the first choice for customers and employees but also for investors wishing to engage in the logistics industry. The programme made notable progress in the year under review, which we report in the Capital Market section. However, since the economic climate continued to deteriorate over the course of the year, we expanded the Roadmap to Value to include a far-reaching cost reduction programme. Between 2009 and 2010 the Group plans to lower its indirect costs by €1 billion.
- ④ **Sustainable action** The logistics industry is one of the key beneficiaries of the strong growth in global trade experienced in recent years. However, increased goods transport leads to higher CO<sub>2</sub> emissions, which according to climate researchers are a prime cause of global warming. As the largest company in our industry, we take our environmental responsibility seriously. We have developed GoGreen as a Group-wide programme aimed at systematically reaching the Group's climate protection target.

#### Future core competencies of our business

We deliver the mail in Germany and are the global market leader in logistics. In the future, we intend to build on these two pillars of our business. We want to maintain our position as *Die Post für Deutschland* (the postal service for Germany) whilst making optimum use of the global strength of our logistics business.

The Deutsche Post brand stands for a company that sets global standards in quality, technology and efficiency and has already proven itself able to very successfully meet the challenges inherent in this mature market. The mail business therefore represents the foundation upon which our international expansion rests. Our goal is to continue operating highly profitably in the MAIL Division and to enhance our range of services by adding communications products.

The DHL brand stands for a comprehensive product portfolio and worldwide logistics presence. Our EXPRESS, GLOBAL FORWARDING/FREIGHT and SUPPLY CHAIN/CIS divisions operate in attractive market segments, and we see no need for significant portfolio adjustments. Our goal is to continue taking advantage of excellent growth opportunities in the logistics industry. There is undoubtedly room for improving our capacity in this sector. For this reason, we plan to more closely integrate our joint capabilities to allow us to offer our customers services and solutions that are customised to fit their needs precisely.

## Group management

### EBIT after asset charge introduced as new performance metric


As part of our Roadmap to Value capital markets programme, we have introduced EBIT after asset charge (EAC) as our new performance metric from 1 January 2008. This metric is an additional guideline for managers at all levels and in all areas of activity, helping them to make decisions that focus their operating businesses on sustained value growth.

Unlike EBIT, the performance indicator so far, EAC takes into account the cost of tied-up capital. In other words, it reflects profit generated over and above the cost of capital. Managers' incentives have also been tied to the new indicator, which complements the previous EBIT-based bonus scheme.

The weighted average cost of capital (WACC) is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account sector-specific risk factors in a beta factor.

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### Weighted average cost of capital (WACC)

Equity cost of capital		Debt cost of capital	
Risk-free rate of return	4.2%	Risk-free rate of return	4.2%
⊕ Risk premium on equity	3.9%	⊕ Average risk premium on debt	1.2%
= Market risk premium	5.0%		
× Beta factor	0.78		
	(specific risk premium for the Group)		
⊖	8.1%	⊖	5.4%
⊕ Tax effect	1.8%		
⊖	9.9%		
Weighting at market rates	70%	Weighting at market rates	30%
		<b>Group cost of capital 8.5%</b>	

In addition to the cost of capital, the net asset base makes up the second component of the calculation. This is identified by including assets required for business operations and subtracting liabilities that do not incur a cost of capital. Goodwill is included in the net asset base, as value is created only if the required cost of capital is earned on the entire initial investment, which also includes goodwill.

The EAC is calculated in the “Postbank at equity” scenario, in which Postbank is treated as an investment accounted for using the equity method. In 2008, EAC stood at €-2,115 million, primarily because EBIT was depressed by non-recurring items of €-2,977 million.

**EBIT after asset charge (EAC – Postbank at equity)**

€m	2007 restated	2008	+/-%
EBIT	2,133	-567	-126.6
● Asset charge	1,735	1,548	-10.8
● EBIT after asset charge (EAC)	398	-2,115	-

Compared with the previous year, the asset charge fell by €187 million because we were able to significantly improve the net asset base. This was mainly due to two factors: real estate disposals and a sharp reduction in working capital, both of which are elements of our Roadmap to Value programme. The weighted average cost of capital was set at 8.5% at the beginning of 2008 and has remained unchanged since then.