

# BUSINESS AND ENVIRONMENT

## BUSINESS ACTIVITIES AND ORGANISATION

### The leading mail and logistics group

Deutsche Post DHL maintains a global network that offers our customers everything they need for transporting and processing goods and information, from standard products to customised solutions. We place great value on service, quality and sustainability, and we accept our social responsibility through our programmes for climate protection, disaster relief and education.

Our MAIL division is the only provider of universal postal services in Germany. We deliver mail and parcels throughout Germany and internationally, and we are specialists in dialogue marketing, nationwide press distribution services and electronic services.

Our EXPRESS division offers courier and express services to business and private customers, taking advantage of a network comprising more than 220 countries and territories.

Our GLOBAL FORWARDING, FREIGHT division handles the carriage of goods by rail, road, air and sea. We are the world's number one air and ocean freight operator and one of the leading overland freight forwarders in Europe.

Our SUPPLY CHAIN division is the global market leader in contract logistics, providing warehousing, managed transport and value-added services at every link in the supply chain for customers in a variety of industries. We also offer end-to-end solutions for companies which outsource document management.

In Global Business Services, we have centralised the internal services which support the entire Group, for example Finance Services, IT and Procurement. This allows us to make efficient use of our resources whilst reacting flexibly to the rapidly changing demands of our business.

### Four operating divisions

The Group is organised into four operating divisions, each of which operates under the control of its own divisional headquarters. Each division is subdivided into business units for reporting purposes. The Group management functions are performed by the Corporate Center.

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#### A.01 Organisational structure of Deutsche Post DHL

|  |   |  |  |
|--|---|--|--|
| <b>Corporate Center</b> (CEO's board department, Finance and Personnel)  |   |  |  |
| <b>MAIL</b> <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> | <b>EXPRESS</b> <ul style="list-style-type: none"> <li>• Europe</li> <li>• Americas</li> <li>• Asia Pacific</li> <li>• EEMEA (Eastern Europe, the Middle East and Africa)</li> </ul> | <b>GLOBAL FORWARDING, FREIGHT</b> <ul style="list-style-type: none"> <li>• Global Forwarding</li> <li>• Freight</li> </ul> | <b>SUPPLY CHAIN</b> <ul style="list-style-type: none"> <li>• Supply Chain</li> <li>• Williams Lea</li> </ul> |
| Global Business Services   |   |  |  |

### A new strategy and a new name

As part of our new strategy, we changed the name of the Group to Deutsche Post DHL in the first quarter of 2009, reflecting the two pillars upon which we have based our goal, which is to remain *Die Post für Deutschland* (The Postal Service for Germany) and to become The Logistics Company for the World. We thus build new transparency, clear structures and integrated customer solutions.

In this context we also revamped our brand architecture, changing the name of the SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS division to the SUPPLY CHAIN division, which houses the Supply Chain and Williams Lea business units.

Furthermore, we established a new business department, DHL Solutions & Innovations, and assigned responsibility for human resources to the respective pillars, Deutsche Post and DHL.

#### A.02 Group structure from different perspectives

| Corporate governance structure  | Management responsibility   | Legal structure   | Brand names  |
|---|---|---|--|
| According to corporate governance duties and responsibilities (boards and committees)   | According to decision-making responsibility and reporting lines   | Based on the Group's legal entities   | According to the brand names used in customer communication                      |
| <ul style="list-style-type: none"> <li>• Corporate Center</li> <li>• Corporate Divisions</li> <li>• Global Business Services</li> </ul> | <ul style="list-style-type: none"> <li>• Board departments</li> <li>• Corporate departments</li> <li>• Business departments</li> <li>• Service departments</li> <li>• Regions</li> <li>• Departments</li> </ul> | <ul style="list-style-type: none"> <li>• Deutsche Post AG</li> <li>• Group companies</li> </ul> | <ul style="list-style-type: none"> <li>• Deutsche Post</li> <li>• DHL</li> </ul> |

### New Board members for EXPRESS and Finance

On 26 February 2009, Ken Allen replaced John Mullen as the head of the EXPRESS division.

Effective 1 September 2009, responsibility for Finance, Global Business Services was assumed by Lawrence Rosen, who succeeded John Allan after he left on 30 June 2009. Frank Appel acted as interim head of the board department during the transitional period.

### Adjustment to operating business organisation

As announced, we withdrew from the domestic US express business at the start of 2009 and streamlined our regional organisational structure accordingly. Our US organisation for the GLOBAL FORWARDING, FREIGHT division was likewise restructured, with North America and Latin America being merged into the Americas region.

As part of the restructuring of the EXPRESS division, in the fourth quarter of 2009 we announced our intention to relocate our central functions for the Europe region from Brussels to Bonn, Leipzig and Prague in order to house them with the region's other functions. This will permit us to use our resources more effectively and to work together more closely. The relocation will not affect the national organisation in Belgium or operations at the Brussels hub or the gateways.

In the MAIL division, we reorganised our sales organisation in the fourth quarter, allowing us to simplify processes and structures, reduce costs, and respond to customer needs with greater flexibility.

## 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 2009, 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 persons entered in the share register shall be considered by the company to be shareholders. The Board of Management is not aware of any agreements between shareholders which would limit voting rights or the transfer of shares.

### Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, are 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), Section 31 of the *Mitbestimmungsgesetz* (MitbestG – German co-determination act)). In accordance with Section 84 of the AktG and Section 31 of the MitbestG, appointments by the Supervisory Board shall be for a maximum term of five years. Re-appointment or extension of the term of office, for a maximum of five years in each case, is permitted. 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), Number 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 such instances where a greater majority is required by law 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, the AGM resolutions passed on 8 May 2007 (Contingent Capital III) and 21 April 2009 (Authorised Capital 2009) 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 as well as following the expiry of the respective authorisation period.

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

The Board of Management is authorised, subject to the approval of the Supervisory Board, to issue up to 240 million new, no-par value registered shares by or before 20 April 2014 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital by up to €240 million (Authorised Capital 2009, Article 5 (2) of the Articles of Association). To date, the Board of Management has not made use of this authorisation.

When new shares are issued from Authorised Capital 2009, the shareholders are entitled in principle to pre-emptive subscription rights. Such rights may only be disappplied subject to the requirements specified in Article 5 (2) of the Articles of Association and subject to the consent of the Supervisory Board. Details may be found in Article 5 (2) of the Articles of Association of the company.

The Authorised Capital 2009 is a financing and acquisition instrument in accordance with international standards that allows the company to increase equity quickly, flexibly and cost-effectively. The authorised capital is equivalent to less than 20% of the share capital.

An AGM resolution was passed on 8 May 2007 authorising the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds (hereinafter referred to collectively as "bonds with warrants and/or convertible bonds"), or a combination thereof, in an aggregate principal amount of up to €1 billion, on one or more occasions, by or before 7 May 2012, thereby granting option and/or conversion rights for new shares in an amount not to exceed €56 million of the share capital. To this end, the share capital is contingently increased by up to €56 million (Contingent Capital III, Article 5 (3) of the Articles of Association). When issuing bonds with warrants and/or convertible bonds, shareholder subscription rights may only be disappplied subject to the terms of the aforementioned resolution and pending the consent of the Supervisory Board. Further details may be found in the motion adopted by the AGM under agenda item 7 of the AGM of 8 May 2007.

Authorisation to issue bonds with warrants and/or convertible bonds is standard business practice amongst publicly listed companies. It allows the company to finance its activities flexibly and promptly, and gives it the financial leeway to take advantage of favourable market situations at short notice, for example, by offering company shares or bonds with warrants/convertible bonds as a consideration within the context of company mergers, and when acquiring companies or shareholdings in companies. To date, the Board of Management has not made use of this authorisation.

Finally, the AGM of 21 April 2009 authorised the company to buy back shares up to an amount not to exceed 10% of the share capital existing as of that date, by or before

30 September 2010. This authorisation is subject to the proviso that at no time should the shares acquired in this way, together with the shares already held by the company, account for 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 authorisation permits the Board of Management to exercise it for every purpose authorised by law, particularly to redeem the purchased own shares without a further AGM resolution, subject to the consent of the Supervisory Board. Details may be found in the motion adopted by the AGM under agenda item 6 of the [AGM of 21 April 2009](#).

To supplement this authorisation, on 21 April 2009 the AGM also authorised the Board of Management – within the scope resolved by the AGM of 21 April 2009 in agenda item 6 – to acquire own shares either by servicing options that, upon their exercise, require the company to acquire own shares (put options) or by exercising options that, upon their exercise, grant the company the right to acquire own shares (call options) and to acquire own shares using a combination of put and call options. All share acquisitions using put options, call options or a combination of the two are limited to a maximum of 5% of the share capital existing on the date of the resolution. The term of the options must expire by no later than 30 September 2010 and be selected such that the acquisition of own shares by exercising the options cannot occur after 30 September 2010. Details may be found in the motion adopted by the AGM under agenda item 7 of the [AGM of 21 April 2009](#).

It is standard business practice amongst publicly listed companies in Germany for the AGM to authorise the company to buy back shares. The authorisation to repurchase shares using derivatives is merely intended to supplement share buyback as a tool and give the company the opportunity to structure the share repurchase in an optimum manner. On 28 April 2010, the Board of Management and the Supervisory Board will propose to the AGM that both authorisations be granted for a further year.

Any public offer to acquire shares in the company is governed solely by 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 actions within its sphere of competence 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 Ken Allen, Bruce Edwards, Lawrence Rosen and Hermann Ude 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 to 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 Number 4.2.3 of the German Corporate Governance Code as amended on 18 June 2009. The agreements are outlined in the [Remuneration Report](#).

 [dp-dhl.com/en/investors.html](http://dp-dhl.com/en/investors.html)

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## REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

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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

### Global economy in crisis

At the start of 2009, the global economy found itself in its deepest recession in decades. The financial market crisis led companies to scale back investment substantially, whilst industrial production dropped more drastically than ever before. International trade suffered the most, however. To stabilise the economy, many countries launched comprehensive economic incentive programmes. These initiatives took effect over the course of the year and the world economy and global trade slowly recovered. Nevertheless, global economic output shrank by 0.8% in 2009 after having seen growth of 3% in 2008. The international exchange of goods actually dropped by just over 12% (IMF: -12.3%, OECD: -12.5%).

**A.03 Global economy: growth indicators for 2009**

| %         | Gross domestic product | Exports | Domestic demand    |
|-----------|------------------------|---------|--------------------|
| USA       | -2.4                   | -9.9    | -3.4               |
| Japan     | -5.1                   | -24.2   | -3.2               |
| China     | 8.7                    | -16.0   | n/a                |
| Euro zone | -4.0                   | -13.3   | -2.9 <sup>1)</sup> |
| Germany   | -5.0                   | -14.7   | -1.8               |

<sup>1)</sup> Based on estimates by Postbank Research.

Source: National statistics, as at 19 February 2010.

The United States experienced its biggest economic collapse in 60 years. Gross fixed capital formation fell by 18.4%, and exports and imports also saw massive declines. Private consumption, the main economic prop in the United States, fell below the prior-year level. Although the economy began recovering in the second half of the year, gross domestic product (GDP) still decreased by 2.4%.

Asia was also affected by the crisis. However, the region recovered much more quickly than others. The continent's emerging economies registered growth of 6.5% in 2009, keeping Asia at the forefront of the world economy, even though growth rates were significantly lower in some cases than in the preceding eight years. Leading the way was China, whose domestic economy received a boost from a massive infrastruc-

ture programme. GDP growth therefore fell only moderately to 8.7% (previous year: 9.6%) despite the 16% drop in exports. China's trade surplus decreased significantly from US\$298 billion to US\$196 billion. Direct investments were at a high level, totalling approximately US\$90 billion.

Japan, whose economy is highly export dependent, was hit particularly hard by the collapse in international trade. Exports fell by nearly a quarter and GDP by more than 5%.

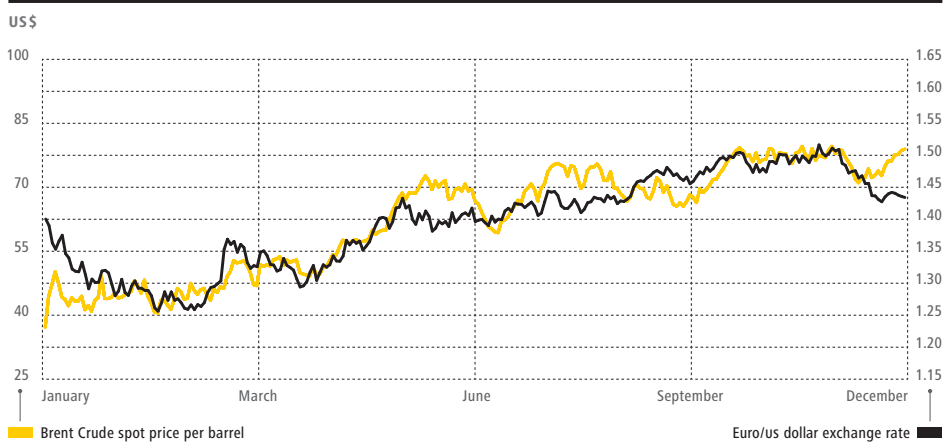
At the start of 2009, the euro zone was also heavily affected by the crisis. Exports collapsed and investment dropped dramatically. Unemployment rose sharply, with private consumption falling accordingly. Thanks to government economic stimulus plans, the economy began gaining a foothold in the spring with a slow recovery setting in during the second half of the year. However, this was not nearly sufficient to offset the collapse at the beginning of the year. As a result, GDP fell by 4.0% in the reporting year (previous year: +0.6%).

At the start of the year, Germany was more heavily affected by the collapse in international demand. Exports decreased by 14.7%, and investments in machinery and equipment dropped a full 20%. GDP therefore shrank by 5.0% (previous year: +1.3%). Private consumption held at nearly the prior-year level, however, thanks in part to the government's environmental rebate for trading in used cars (*Abwrackprämie*).

#### Oil prices again on the rise

The average Brent Crude oil price was US\$62 per barrel (159 litres) in 2009, a drop of around 36% from the prior-year level. In the face of the crisis at the start of the year, the price fell to approximately US\$40 per barrel – its lowest level for several years. However, by mid-year oil prices were back up to US\$70 due to OPEC production cuts and improved economic indicators. By year-end the price had reached nearly US\$80 a barrel.

A.04 Brent Crude spot price and euro/us dollar exchange rate, 2009



### Euro up sharply

Central banks reacted to the economic crisis with an expansive monetary policy. The US Federal Reserve kept its key interest rate at an extremely low level, 0% to 0.25%, throughout the entire year. By May, the European Central Bank had lowered its key interest rate from 2.5% at the start of the year to 1%, where it remained until the end of the year. Interest rate policy had no major impact on the performance of the euro against the US dollar, however. At the beginning of 2009, the euro fell sharply against the dollar, dropping from US\$1.40 to US\$1.25 as demand for the US currency rose as a result of its reputation as a safe haven. As optimism regarding economic recovery increased, this argument lost force and the euro rose nearly 3% to US\$1.43 by year-end. Measured against pound sterling, however, the euro posted a loss of just over 7%.

### Corporate bonds recover

Fear of a sustained economic crisis led to capital market interest rates hitting a low around the end of 2008/beginning of 2009. Over the course of the year, however, investors became more willing to take risks. Capital market interest rates rose, although they remained at a low level. At the end of the year, 10-year German treasury bonds were yielding 3.39%, 0.44 percentage points higher than at the end of 2008. In the same period, the return on 10-year US treasury bonds increased by 1.62 percentage points to 3.84%. Corporate bonds also benefited from the economic recovery over the course of the year. The risk premiums were in some cases below those seen prior to September 2008 when the financial market crisis escalated.

### International trade declines sharply in crisis year

International trade is closely linked to the global economy, which is why it also took a sharp turn for the worse in 2009. The downturn was particularly noticeable in European and American imports. By contrast, the Asia Pacific region, which makes up more than two-thirds of all international trade, did not suffer as greatly from the financial crisis.

Global trade volumes fell approximately 7%. There have been recent indications that trade could see moderate growth in 2010, however. Asia is expected to remain a global growth engine and continue to play a key role in this growth in the future.

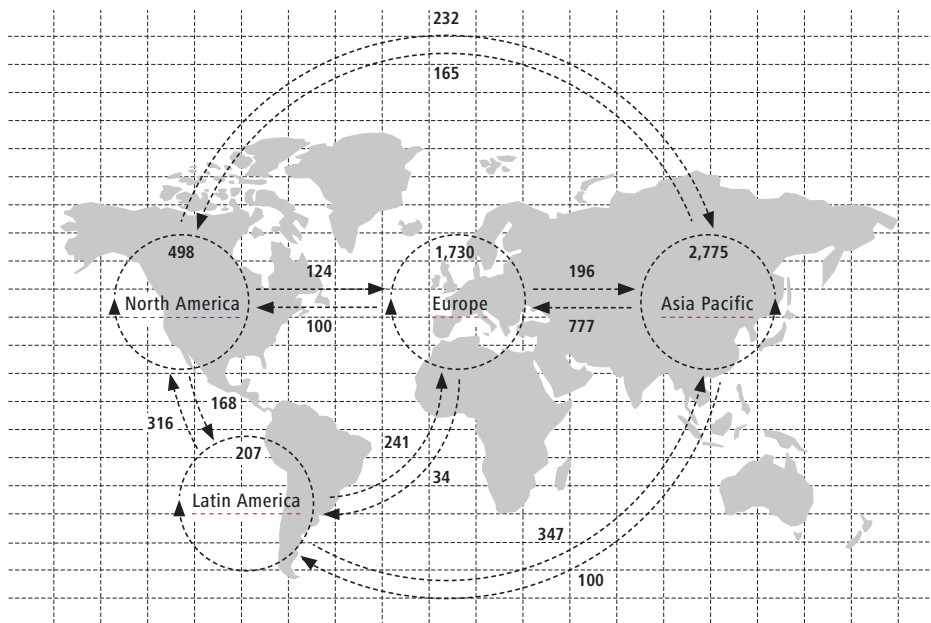
**A.05 Trade volumes: compound annual growth rate 2008–2009**

| %<br>Exports \ Imports |        |              |        |               |             |               |
|------------------------|--------|--------------|--------|---------------|-------------|---------------|
|                        | Africa | Asia Pacific | Europe | Latin America | Middle East | North America |
| Africa                 | 2.1    | 3.2          | -10.9  | -11.5         | -4.2        | -5.7          |
| Asia Pacific           | 2.0    | -2.1         | -12.6  | -8.7          | -6.2        | -14.6         |
| Europe                 | 0.2    | -6.5         | -10.8  | -11.9         | -8.9        | -11.0         |
| Latin America          | 2.3    | 5.1          | -10.0  | -6.6          | -1.8        | -12.7         |
| Middle East            | 3.2    | -6.2         | -10.9  | -11.8         | -5.8        | -6.6          |
| North America          | -8.3   | -6.5         | -17.6  | -11.3         | -12.4       | -11.9         |

Source: IHS Global Insight, Global Trade Navigator, as at 15 January 2010.

**A.06 Major trade flows: volumes 2009<sup>1)</sup>**

Tonnes (millions)



<sup>1)</sup> In contrast to the 2008 Annual Report, volumes are presented excluding any effects related to pricing.  
Source: IHS Global Insight, Global Trade Navigator, as at 15 January 2010.

**Our markets**

We are represented in more than 220 countries and territories, including all major economic regions. The following is an overview of the overall market as well as of the markets relevant to us. The regions shown reflect our business structure. The relevant parameters and our market shares are detailed in the [Divisions](#) chapter.

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**A.07 Market volumes**

| Global   | Europe  | USA   | Asia   |
|--|---|---|--|
| <ul style="list-style-type: none"> <li>International mail market (outbound, 2009): €7bn<sup>1)</sup></li> <li>Air freight (2008): €19.0m tonnes<sup>2)</sup></li> <li>Ocean freight (2008): €31.7m TEU<sup>3)</sup></li> <li>Contract logistics (2008): €147bn<sup>4)</sup></li> </ul> | <ul style="list-style-type: none"> <li>German mail market (2009): €6.3bn<sup>1)</sup></li> <li>Dialogue marketing, Germany (2009): €19.3bn<sup>1)</sup></li> <li>International express market (2008): €14.0bn<sup>5)</sup></li> <li>Road transport (2008): €169.4bn<sup>6)</sup></li> </ul> | <ul style="list-style-type: none"> <li>Domestic mail market (2009): €43.2bn<sup>7)</sup></li> <li>International express market (2008): €1.6bn<sup>8)</sup></li> </ul> | <ul style="list-style-type: none"> <li>International express market (2008): €5.5bn<sup>9)</sup></li> </ul> |

<sup>1)</sup> Company estimates. <sup>2)</sup> Data based solely on export freight tonnes; source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates. <sup>3)</sup> Twenty-foot equivalent units; estimated part of overall market controlled by forwarders; source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates. <sup>4)</sup> Source: Transport Intelligence. These figures cannot be compared with those of the previous years because the institute compiling the data and the compiling method have changed. <sup>5)</sup> Includes express products Time Definite International and Day Definite International; country base: AT, BE, CH, CZ, DK, ES, FR, GE, IT, NL, NO, PL, SE, UK; source: MRSC. <sup>6)</sup> Country base: total for 20 European countries, excluding bulk and specialties transport; source: 2008 and 2009 MRSC market analyses, Eurostat 2008, annual reports, press releases, company websites, estimates and analyst reports. <sup>7)</sup> These figures cannot be compared with those of the previous years because the compiling method has changed; source: USPS product revenue, 2009. <sup>8)</sup> Includes express products Time Definite International and Day Definite International; country base: CA, MX, BR, CO, AR, VE, PA, CL, PE, BO, UY, PY, DO, JM; source: MRSC, annual reports from UPS, TNT, FedEx, press releases, company websites, estimates and analyst reports. <sup>9)</sup> Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN; source: MRSC study from 2007, annual reports, press releases, company websites, estimates and analyst reports.

### Factors affecting our business

During the year under review we presented our new corporate strategy – Strategy 2015. To develop this strategy, we re-examined the main factors affecting our business. Although the corporate and economic environment has changed radically, we continue to believe that there are four trends that have a substantial impact on our business:

- 1 **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, international trade is growing along with demand for transport and logistics services. Against this backdrop, growth in the logistics industry will continue to outpace the growth of national economies. However, we expect that low-value, labour-intensive products will increasingly be produced in countries that are geographically close and have comparatively low wage levels. Also, for less time-critical shipments, demand for more fuel-efficient transport is expected to rise. Since we are well positioned in the traditionally low-wage countries of Eastern Europe and Latin America and our range of services covers all means of transport, we will benefit from this trend.
- 2 **Outsourcing** In times of economic difficulty, pressure on companies to reduce costs and streamline business processes increases. Activities that are not considered part of the core business are being outsourced to a greater extent. In addition, supply chains are becoming more complex and are being placed increasingly on an international footing. Accordingly, more and more customers are demanding integrated solutions that provide a comprehensive range of services. As a global, integrated logistics service provider, we also benefit from this trend.
- 3 **Digitalisation** The internet has changed the way in which information is exchanged. Physical communication channels are being replaced increasingly by electronic communication, which is leading to a decline in volumes and revenues in the traditional mail business in particular. 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. Again, this is a development that benefits us. Demand for binding, confidential and reliable electronic communication is growing on the virtual market.
- 4 **Climate change** Awareness of the environment and climate is increasing. Climate-neutral products are seeing growing demand. Furthermore, legislation is being passed to force companies to reduce their carbon dioxide emissions permanently. For us, a global leader in the logistics industry, it goes without saying that we will contribute to environmental protection. We offer our customers energy-saving transport options and climate-neutral products, and we have set an ambitious climate protection goal for ourselves.

### 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.

## CORPORATE STRATEGY

### Outstanding competitive position

Deutsche Post DHL has done an outstanding job asserting itself in the marketplace in recent years. We are the market leader in the German mail business and the world leader in nearly all of our logistics activities, a position that offers us long-term growth prospects. We have built up a strong global presence, and there is hardly a company in our industry that can match the broad spectrum of products and services we are able to offer our customers. In the past we strengthened our competitive position through acquisitions; for the last three years we have done so primarily through organic growth.

### Strategic focus sharpened during the crisis

The global recession affected the entire logistics sector along with many of our customers in 2009. However, we did not remain passive. Our Group took advantage of the past two years to answer key strategic questions.

For our former subsidiary, Deutsche Postbank AG, we found a reliable partner for the future in Deutsche Bank. We will now focus on our core competencies in our mail and logistics businesses.

We restructured our US express business in order to reduce our losses there and mitigate risk for the Group. In this market, we will also be concentrating on our core competencies: shipments to and from the US.

In addition to these two key strategic decisions, we successfully implemented an extensive cost reduction programme, thus laying the foundation for our company to emerge from the current global crisis stronger than before and to achieve sustainable and profitable growth.

### Unlocking our full potential

Our Strategy 2015 is intended to help us to unlock our full potential. We want to become the preferred supplier for our customers, an attractive investment for our shareholders and a top employer for our staff.

Expressed in figures, we are aiming for growth in our operating divisions that exceeds the annual growth of their respective markets by one to two percentage points.

### Our two pillars: mail and logistics

We want to maintain our position as *Die Post für Deutschland* (The Postal Service for Germany). At the same time we intend to become The Logistics Company for the World by making use of the global strength of our logistics business.

Our new Group name, Deutsche Post DHL, underscores the significance of these two pillars of our 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. In the MAIL division, our goal is to continue operating highly profitably and to enhance our range of services by adding more communications products.

The DHL brand stands for a comprehensive product portfolio and worldwide logistics presence. Our EXPRESS, GLOBAL FORWARDING, FREIGHT, and SUPPLY CHAIN divisions operate in attractive market segments. Our goal is to continue taking advantage of the excellent growth opportunities in the logistics industry and to unlock the full potential of our enterprise.

#### **Our guiding principle: Respect and Results**

The corporate culture of a company is vital in determining its ability to perform at a high level. Our guiding principle of Respect and Results has evolved from the daily challenge of achieving first-class results whilst adhering to our sense of responsibility for the needs of our employees and customers. We show respect towards our shareholders by making our challenges public and clearly stating how we intend to face them. We are well aware of the effect our corporate activities have on society. Therefore, we also act respectfully towards everyone with whom we interact and the environment in which we live.

#### **Simplifying the lives of our customers**

Our customer promise is a key component of our corporate strategy. We want to offer our customers services that make their lives easier and that have sustained value. To meet this standard, we have established a number of Group-wide initiatives. Our First Choice programme, for instance, remains of central importance. First Choice means improving our customer focus in all areas and aligning our processes accordingly.

Moreover, to distance ourselves from the competition we want to become or remain the innovative leader in the logistics industry and the market leader in selected sectors. We plan to achieve this with our new DHL Solutions & Innovations (DSI) unit and through Sector Management. DSI pools the innovative activities within DHL with an eye on developing ground-breaking solutions using existing sector expertise. Sector Management is our chosen method of institutionalising the cross-divisional exchange of expertise within DHL. This results in new products, services and solutions that are better equipped to meet customer requirements in certain sectors.

#### **Making a contribution to our environment**

As the largest company in our industry, we take our environmental and social responsibility seriously. Our sustainability strategy focuses on three areas. The Group's GoGreen programme was developed to establish a systematic approach to achieving our climate protection target. Our GoHelp focus area centres on people in need. Here we apply our expertise towards improving the living conditions of people in disaster areas. The third expression of our commitment to society is education. We have created the GoTeach project to define a concept for this endeavour and to establish a corresponding strategy.

## GROUP MANAGEMENT

### EBIT after asset charge as additional control parameter

In 2008, Deutsche Post DHL introduced a new performance metric, which it uses to assess the degree of target achievement. In the year under review, EBIT after asset charge (EAC) was used as an additional key control parameter together with profit from operating activities (EBIT).

We aim for sustained value growth in all areas of our operating business. To this end, we carefully control not only targeted profits but also the use of resources necessary to meet this goal. Executives are now expected to place greater emphasis on the asset charge that their operating business must generate.

To calculate the asset charge, the net asset base is multiplied by the weighted average cost of capital (WACC).

The Group's WACC is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account division-specific risk factors in a beta factor according to the Capital Asset Pricing Model. Deutsche Post DHL aims to increase enterprise value via efficient management of the net asset base.

In order to optimise the gearing ratio and thus decrease WACC, two factors must be weighed against each other:

- ① Since equity investors expect higher yields than debt investors, WACC declines as the gearing ratio increases (leverage effect).
- ② If the gearing ratio is high, the company's credit rating has a tendency to decrease and borrowing costs to increase – and negate the positive effects of the decline in WACC.

Since 2008, a WACC of 8.5% has been considered the minimum target level for projects and investments in the Group.

EAC amounted to €-959 million in 2009 (previous year: €-2,484 million). In both financial years 2008 and 2009, profit from operating activities was depressed by non-recurring items.

#### A.10 EBIT after asset charge (EAC)

| €m             | 2008<br>adjusted | 2009   | +/-%  |
|----------------|------------------|--------|-------|
| Reported EBIT  | -966             | 231    | 123.9 |
| ● Asset charge | -1,518           | -1,190 | -21.6 |
| ⊖ EAC          | -2,484           | -959   | 61.4  |

In terms of EAC, we reduced the asset charge by €328 million to €1,190 million across all segments, in part thanks to improved net working capital management.

#### A.08 Calculating EAC

|                                    |
|------------------------------------|
| Reported EBIT                      |
| ● Asset charge                     |
| = Net asset base                   |
| × Weighted average cost of capital |
| ⊖ EBIT after asset charge          |

#### A.09 Calculating net asset base

|  |
|--|
| Operating assets                                 |
| • Intangible assets                              |
| • Property, plant and equipment                  |
| • Trade receivables,<br>other operating assets   |
| ● Operating liabilities                          |
| • Operating provisions                           |
| • Trade payables,<br>other operating liabilities |
| ⊖ Business operating assets (BOA)                |
| ⊕ Goodwill                                       |
| ⊖ Net asset base                                 |

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