

DIVISIONS

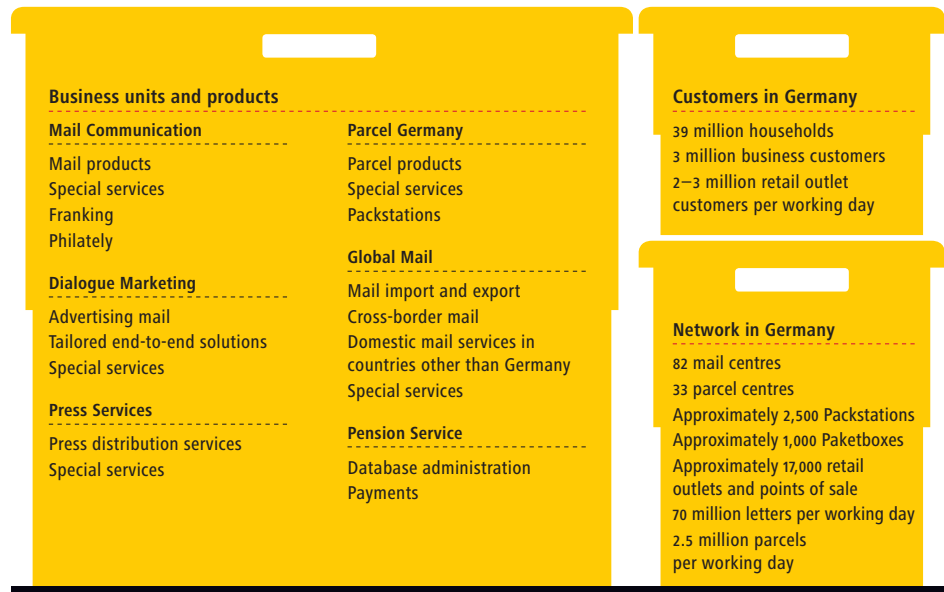
OVERVIEW

A.31 Key figures by operating division

€m	2008 adjusted	2009	+/-%	Q4 2008 adjusted	Q4 2009	+/-%
MAIL						
Revenue	14,393	13,684	-4.9	3,895	3,712	-4.7
of which Mail Communication	6,031	5,820	-3.5	1,600	1,554	-2.9
Dialogue Marketing	2,855	2,678	-6.2	781	710	-9.1
Press Services	860	819	-4.8	223	209	-6.3
Parcel Germany	2,582	2,574	-0.3	762	768	0.8
Retail Outlets	815	806	-1.1	229	218	-4.8
Global Mail	1,970	1,679	-14.8	503	453	-9.9
Pension Service	88	98	11.4	20	21	5.0
Consolidation/Other	-808	-790	2.2	-223	-221	0.9
Profit from operating activities (EBIT) before non-recurring items	1,641	1,412	-14.0	476	511	7.4
Profit from operating activities (EBIT)	2,179	1,383	-36.5	442	503	13.8
Return on sales (%) ¹⁾	15.1	10.1		11.3	13.6	
Operating cash flow	2,235	1,148	-48.6	-	-	-
EXPRESS						
Revenue	13,637	10,312	-24.4	3,282	2,778	-15.4
of which Europe	6,631	5,603	-15.5	1,633	1,474	-9.7
Americas	3,559	1,473	-58.6	712	391	-45.1
Asia Pacific	2,746	2,580	-6.0	723	724	0.1
EEMEA (Eastern Europe, the Middle East and Africa)	1,176	1,054	-10.4	310	280	-9.7
Consolidation/Other	-475	-398	16.2	-96	-91	5.2
Profit from operating activities (EBIT) before non-recurring items	164	238	45.1	66	162	>100
Loss from operating activities (EBIT)	-2,194	-807	63.2	-2,206	-375	83.0
Return on sales (%) ¹⁾	-16.1	-7.8		-67.2	-13.5	
Operating cash flow	263	-459	-	-	-	-
GLOBAL FORWARDING, FREIGHT						
Revenue	14,179	10,870	-23.3	3,611	2,996	-17.0
of which Global Forwarding	10,585	7,891	-25.5	2,744	2,208	-19.5
Freight	3,710	3,065	-17.4	899	810	-9.9
Consolidation/Other	-116	-86	25.9	-32	-22	31.3
Profit from operating activities (EBIT) before non-recurring items	403	272	-32.5	114	67	-41.2
Profit from operating activities (EBIT)	362	191	-47.2	73	23	-68.5
Return on sales (%) ¹⁾	2.6	1.8		2.0	0.8	
Operating cash flow	630	528	-16.2	-	-	-
SUPPLY CHAIN						
Revenue	13,718	12,507	-8.8	3,535	3,223	-8.8
of which Supply Chain	12,469	11,302	-9.4	3,209	2,909	-9.3
Williams Lea	1,243	1,206	-3.0	332	317	-4.5
Profit/loss from operating activities (EBIT) before non-recurring items	196	-121	<-100	47	-98	<-100
Loss from operating activities (EBIT)	-920	-208	77.4	-1,069	-171	84.0
Return on sales (%) ¹⁾	-6.7	-1.7		-30.2	-5.3	
Operating cash flow	481	432	-10.2	-	-	-

1) EBIT/revenue.

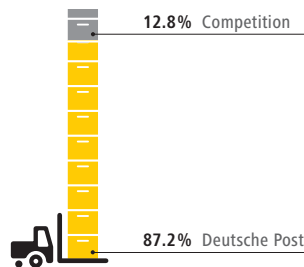
MAIL



BUSINESS UNITS AND MARKET POSITIONS

A.32 Domestic mail communication market, 2009

Market volume: €6.3 billion



Source: company estimate.

The Postal Service for Germany

We are Europe's largest postal company, delivering some 70 million letters every working day in Germany. We offer all types of products and services to both private and business customers, ranging from standard letters and merchandise to special services such as cash on delivery and registered mail. Customers can now also purchase stamps online or via text messaging rather than just at our retail outlets or from stamp machines as in the past. In addition, we develop tailor-made mailing solutions to meet the needs of business customers and organisations. For example, we digitalised all of the applications for the *Umweltprämie* (environmental rebate), which the German government introduced in 2009 to promote passenger car sales, and transmitted them in electronic form to the German federal office of economics and export control.

Our mail business focuses on Germany, where the mail market was fully liberalised at the start of 2008. Since then, competition has become more intense. In addition, the domestic mail market is shrinking because electronic communication is increasingly replacing paper-based communication. The economic crisis acted to intensify this trend. In the year under review, the market decreased by 3.1% to around €6.3 billion (previous year: €6.5 billion). We held our share of the market at 87.2% thanks to our high quality.

Targeted advertising

Our technical solutions mean that companies are not only able to design and print their advertising mail themselves, they can also calculate the best postage rate. For direct advertising to reach its target, it is important that the address database is always up to date. We offer online tools and services that can be used to ensure the quality of addresses. In addition, we develop solutions for multi-channel customer dialogue ranging from consulting and concept development all the way to media planning and buying as well as the production and dispatch of advertising materials. We thus combine dialogue marketing with conventional advertising and we conduct market research to measure the impact of such advertising.

The German market for dialogue marketing comprises advertising mail along with telephone and e-mail marketing. Compared with the previous year, this market shrank by 5.5% to a volume of €19.3 billion. Companies sharply reduced advertising expenditure in the face of the economic crisis, especially mail-order companies and financial service providers. We have maintained our share of 13.4% in this highly fragmented market.

Newspaper and magazine subscriptions

We deliver newspapers and magazines nationwide on the day specified by the customer. Our Press Services Business Unit offers two products: Preferred Periodicals, which is how publishers traditionally mail their subscribed publications, and Standard Periodicals, which is how companies that distribute customer or employee magazines via Deutsche Post usually send these items. Our special services include electronic address updating as well as complaint and quality management.

According to a study carried out by Simon-Kucher & Partners, the German press services market had a total volume of 17.0 billion items in 2009, a decline of 4.5% on the prior year. The circulation and weight of newspapers and magazines has decreased because fewer advertisements were placed. Our competitors in this market are primarily the companies that deliver regional daily newspapers. Although the overall market shrank, we held our share at 11.4%.

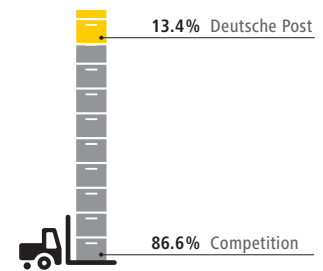
Posting and picking up parcels around the clock

We handle around 2.5 million parcels within Germany each day. We are always available for our private and business customers, no matter when or where. Our customers can send and collect parcels and small packages at our 17,000 retail outlets and points of sale, 2,500 Packstations and 1,000 Paketboxes (approximate figures). We have Packstations in more than 1,600 towns and cities that can be reached within 10 minutes by 90% of the German population. Private customers can also go online and purchase packaging materials, buy postage for parcels, place parcel collection orders and track items.

For business customers, we develop solutions customised for their particular sector. In the dynamically growing online marketplace, both suppliers and customers value fast, simple and secure order placement. For this reason, we do more than simply transport catalogues, goods and returns. We also provide shipping and returns processing software that is tailor made for each individual customer along with special services such as Postident, a product with which retailers can check the age and identity of their internet customers.

A.33 Domestic dialogue marketing market, 2009

Market volume: €19.3 billion

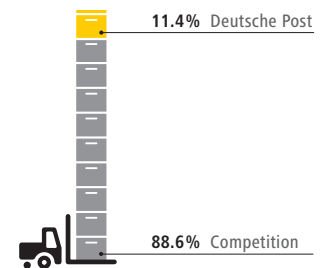


Source: company estimate.

→ Glossary, page 224

A.34 Domestic press services market, 2009

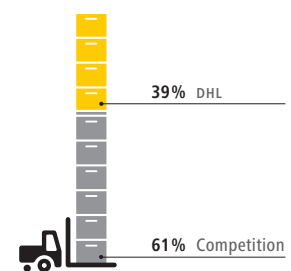
Market volume: 17.0 billion items



Source: study by Simon-Kucher & Partners.

A.35 Domestic parcel market, 2009

Market volume: €6.3 billion

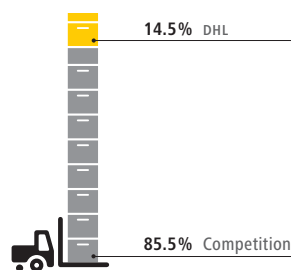


Source: company estimate.

In 2009, volumes in the German parcel market declined by approximately 2.7% to around €6.3 billion. This market is highly competitive, comprising several well-positioned suppliers such as DPD, UPS, GLS and Hermes. For years now, the parcel business has benefited from online sales, which saw another double-digit increase in the reporting year despite the economic crisis. Whilst private demand remained robust, albeit with closer attention being paid to prices, the business-to-business market continued to decline. Traditional mail-order companies are really suffering, as shown by the insolvency of Quelle GmbH. Despite this difficult environment, we increased our share in the German parcel market to 39%.

A.36 Cross-border mail market, 2009 (outbound)

Market volume: €7 billion¹⁾



¹⁾ This figure cannot be compared with the prior-year figure because the compiling method has changed.

Source: company estimates.

Mail import and export

We deliver mail across borders, serve the domestic markets of countries outside of Germany and also provide special services beyond mail transport. We serve business customers in key domestic mail markets, including the USA, the Netherlands, the UK and Spain. In France, we have scaled back our services with the sale of DHL Global Mail Services SAS. In the USA, we discontinued our DHL@home product for mail-order companies after having reduced our express transport network there.

The global market volume for outbound cross-border mail was approximately €7 billion in 2009. Business in the year under review was shaped by the global recession and a tougher competitive environment. We lost market share due to our decision to focus strictly on earnings and therefore to cut ties with unprofitable customers. We expect a total market share of 14.5% for 2009.

QUALITY

Technological advantage

In Germany, we maintain a nationwide transport and delivery network consisting of 82 mail centres and 33 parcel centres that provide high-quality and efficient mail and parcel processing. We continue to maintain the high level of automation in our mail business at over 90%.

Market research and complaints tell us that our customers expect us to achieve the highest possible quality standards. They rate the quality of our services based on whether mailed items reach their destinations quickly, reliably and undamaged. Our quality management is based on a system that is inspected and certified each year by the *Technischer Überwachungsverein Nord* (TÜV Nord – technical inspection association for northern Germany). We again attained excellent results in letter transit times within Germany. According to surveys conducted by Quotas, a quality research institute, well over 94% of the letters posted during our daily opening hours or before final box collections are delivered to their recipients the next day.

In the parcel business, transit times were again improved in the reporting year: nearly 90% of the deliveries we picked up from business customers reached their destination on the next day. Since 2008, our internal system for measuring parcel transit times has been certified by TÜV Rheinland.

For international letters, transit times are determined by the International Post Co-operation (IPC). According to European Union (EU) specifications, 85% of all cross-

border letters posted within the EU must be delivered within three days of posting. We expect to have significantly exceeded this figure once again, reaching a level of 97%.

Thanks to our co-operation with retailers, our approximately 17,000 retail outlets and points of sale have average weekly opening times of 46 hours. Surveys of our retail outlet customers are conducted annually by *Kundenmonitor Deutschland* (customer monitor for Germany) to determine their level of satisfaction with our services. Over the past 10 years, our ratings have steadily improved from an already high level. Our partner-operated locations in particular have received ratings approaching those of the retail sector, with some partners even exceeding them. More than 90% of customers are served within three minutes as confirmed by mystery shoppers from TNS Infratest, which we hire to conduct around 30,000 tests of the retail outlets per year.

→ Glossary, page 224

We regard working practices that protect the environment as a key yardstick of quality. In Germany, we therefore employ a TÜV Nord-certified environmental management system in our mail and parcel businesses. As part of our GoGreen initiative, we offer private and business customers climate-neutral shipping options. We are also testing transport options involving hybrid, natural gas and electric-powered vehicles.

→ Corporate responsibility, page 77

STRATEGY AND GOALS

We have three strategic approaches aimed at meeting the challenges of our business, both today and in the future.

Securing our core business

We cut costs wherever possible and sensible, and enhance our business by launching new products and perpetuating strong customer relationships. We also retain the high quality of our services whilst protecting the environment. Ideally, we search for solutions that meet several goals at once: a new generation of machines in our mail centres, for instance, not only raises the level of automation and thus quality but also lowers production costs and carbon (CO₂) emissions.

Proximity to our customers is important to us. We operate the largest network by far of fixed-location retail outlets in Germany, consisting of some 17,000 outlets and sales points. We are expanding our partnerships with retailers, and we offer fast and easy online access to our mail and parcel services. Over the next three years, we will expand our network of around 2,500 Packstations by another 150 machines.

Making our network more flexible

To ensure that the earnings contribution of our mail business remains stable in the future as well, we need to fundamentally change our network to make the costs more flexible. In 2009, we tested procedures for enabling us to respond to fluctuating or declining volumes without sacrificing quality. During the summer holiday period, we combined carrier routes, relocated mail sorting to neighbouring mail centres and downsized our overnight airmail network. We will repeat those procedures that proved effective as necessary. Moreover, we plan to expand our parcel network and render it more flexible in the interests of our customers.

Growing in digital markets

We are taking advantage of our expertise in physical communications to offer competent electronic communications. The internet is already facilitating customer access to our services. They can calculate and purchase postage and also locate retail outlets and Packstations online and by mobile telephone. In addition, starting in 2010 we will begin offering the letter on the internet, a binding, confidential and reliable form of written electronic communication.

We intend to continue participating in the growing internet advertising market. We already offer small and medium-sized enterprises a platform for local services at www.allesnebenan.de as well as the option of calculating costs and placing advertisements in a variety of media using our easy-to-use *Werbemanager* (advertising manager). In our parcel business, we are developing solutions for internet sales. Customers can go to www.meinpaket.de for easy, secure and transparent online purchasing and payment. Parcel recipients receive advance notifications of when their parcels will arrive. In the future, they will even be able to choose where and when they wish to receive their parcels.

REVENUE AND EARNINGS PERFORMANCE

Revenue below prior year's high level

In the year under review, revenue amounted to €13,684 million, down from the previous year's high figure of €14,393 million. The year-on-year decline in areas sensitive to economic developments was in line with expectations. Slight exchange rate gains were posted (€3 million).

Business customer revenue stabilises in the second half of the year

Revenue in the Mail Communication Business Unit declined from €6,031 million to €5,820 million. The increasing use of electronic communication is resulting in ongoing shrinkage of the market, a trend that has been intensified by the economic crisis. In this economic climate, private customers posted fewer letters than in the previous year. Revenues from business customers stabilised in the third and fourth quarters, although total revenues for 2009 remained below the prior-year level. We retained and regained quality-conscious customers; however, some of our customers turned to competitors as a consequence of a higher sensitivity to prices in light of the poor economic conditions.

In the regulated mail sector, we kept prices stable as dictated by the price-cap procedure. According to a comparative study we conducted, our postage rates still rank amongst the lowest in Europe. The survey took account of both the nominal price for sending a standard letter (20g) by the fastest method, and key macroeconomic factors such as purchasing power and labour costs.

➔ Risks, page 85

A.37 Mail Communication: volumes

mail items (millions)	2008 adjusted	2009	+/-%	Q4 2008 adjusted	Q4 2009	+/-%
Business customer letters	6,857	6,663	-2.8	1,767	1,732	-2.0
Private customer letters	1,328	1,292	-2.7	400	386	-3.5
Total	8,185	7,955	-2.8	2,167	2,118	-2.3

Customers advertising less

In a tough economy, customers change their advertising behaviour, a tendency that has become quite apparent in the Dialogue Marketing Business Unit. Mail-order companies in particular advertised much less in the year under review and sent fewer catalogues. Volumes of both addressed and unaddressed advertising mail declined. Although quantities of unaddressed advertising mail rose slightly in the third quarter in the run-up to the German federal elections, they decreased again in the fourth quarter following the Arcandor insolvency. Revenue fell from €2,855 million in 2008 to €2,678 million in 2009, a decrease of 6.2%.

A.38 Dialogue Marketing: volumes

mail items (millions)

	2008	2009	+/-%	Q4 2008	Q4 2009	+/-%
Addressed advertising mail	6,912	6,323	-8.5	1,947	1,732	-11.0
Unaddressed advertising mail ¹⁾	4,940	4,580	-7.3	1,344	1,209	-10.0
Total	11,852	10,903	-8.0	3,291	2,941	-10.6

¹⁾ Prior-year figures adjusted to reflect portfolio changes.

Holding ground in sharply declining press services business

Revenue in the Press Services Business Unit amounted to €819 million, 4.8% below the prior-year figure of €860 million. The general economic trend led publishers to reduce circulation and even discontinue some publications entirely. In addition, both the number of pages and the weight of newspapers and magazines have fallen because their advertising content has decreased. The average prices for distributing these items have therefore dropped.

E-commerce drives increase in parcels

Revenue in the Parcel Germany Business Unit amounted to €2,574 million and was thus on par with the prior year's figure of €2,582 million. Thanks to the growth of online sales, we increased revenue in the German parcel market despite the crisis amongst traditional mail-order companies, an important customer group. In the case of Quelle GmbH, the crisis even resulted in liquidation. In the private customer business, total volumes grew slightly. In international business, we transferred Europlus – a parcel product – to the EXPRESS division, resulting in total revenue in the Parcel Germany Business Unit only reaching the prior-year level.

A.39 Parcel Germany: volumes

parcels (millions)

	2008	2009	+/-%	Q4 2008	Q4 2009	+/-%
Business customer parcels	661	648	-2.0	189	183	-3.2
Private customer parcels	112	113	0.9	37	37	0.0
Total	773	761	-1.6	226	220	-2.7

Retail outlet revenue falls slightly

Revenue generated by our around 17,000 retail outlets and sales points fell slightly from €815 million to €806 million, mainly due to lower internal revenues.

International mail business also sees rise in price sensitivity

In the Global Mail Business Unit, revenue decreased from €1,970 million to €1,679 million. Revenue was particularly impacted by the discontinuation of DHL@home. We no longer offer this product after having reduced our US express network. We are seeing the same trend in our international mail business as in the German market: customers have become more price sensitive, which has caused our traditional import and export business to suffer.

A.40 Mail International: volumes

mail items (millions)	2008 adjusted	2009	+/-%	Q4 2008 adjusted	Q4 2009	+/-%
Global Mail	7,301	6,654	-8.9	1,934	1,705	-11.8

Solid earnings despite the crisis

The prior-year figures for profit from operating activities (EBIT) were adjusted because we no longer report the return on plan assets in connection with pension obligations as part of EBIT. It is now reported under the Group's net finance costs/net financial income.

Division EBIT was €1,383 million, well below the prior-year level of €2,179 million. Fourth-quarter EBIT amounted to €503 million (previous year: €442 million). The repayment awarded in the EU state aid proceedings had increased earnings by €572 million in the previous year. After adjustment for non-recurring expenses such as €29 million from the sale of DHL Global Mail Services SAS in France (previous year: non-recurring income of €538 million), EBIT declined by 14.0% to €1,412 in the year under review (previous year: €1,641 million). In the fourth quarter, however, EBIT rose by 7.4% to €511 million, thanks to stringent cost management. The Arcandor insolvency resulted in expenses of €34 million in the reporting year. EBIT before non-recurring items has not been adjusted for this charge. Through strict cost management, we were able to compensate to a large extent for revenue declines arising from the recession and the structural changes resulting from removing Postbank from the VAT group. Wage and cost increases impacted earnings, however. Return on sales amounted to 10.1%.

Operating cash flow amounted to €1,148 million (previous year: €2,235 million), mainly due to the repayment awarded in the EU state aid proceedings in the previous year. Working capital amounted to €-878 million, nearly reaching the low level of the previous year (€-894 million).

EXPRESS

Products	Regions	Network
<ul style="list-style-type: none"> DHL Time Definite DHL Same Day DHL Day Definite 	<ul style="list-style-type: none"> Europe Americas Asia Pacific EEMEA (Eastern Europe, the Middle East and Africa) 	<ul style="list-style-type: none"> 220 countries and territories 6 main hubs 22,400 Servicepoints 8.2 million customers 62,000 vehicles

BUSINESS UNITS AND MARKET POSITIONS

Network for time-critical shipments spans the globe

The EXPRESS division transports time-sensitive documents and goods reliably from door to door via fixed routes and using standardised workflows. Our network spans more than 220 countries and territories in which more than 100,000 employees serve over eight million customers.

In 2009, we continued expanding our reach for Time Definite shipments. In Asia alone, we now offer our pre-12.00 noon delivery service for an additional 3,000 trade lanes.

As a global network operator, we are well aware that the quality of our services and the satisfaction of our customers are crucial in determining our success. This is why we are constantly working to optimise our service.

Standardised time-critical products

Our three product lines, DHL Time Definite, DHL Same Day and DHL Day Definite, offer customers courier and express services in each of the three standard time segments. Special express business services such as customs brokerage, medical services and repair and return complement our portfolio.

Normally, our customers make use of our customer service numbers or the internet when ordering transport services. In Germany, we leverage the around 17,000 Deutsche Post retail outlets and Salespoints. We also maintain more than 22,000 Servicepoints outside of Germany, where customers can drop off and pick up shipments as needed and have them packed at no extra charge. The prices are standardised by weight class.

At a time when the environmental impact of globalisation is generally a live issue and even more so in the logistics sector, we were the first express service provider to offer GoGreen climate-neutral shipping products in approximately 30 countries.

Our aircraft fleet – economical and ecological

Cargo carrier AeroLogic went into operation in the summer of 2009. This joint venture between DHL Express and Lufthansa Cargo is headquartered at Leipzig/Halle Airport. The fleet currently consists of seven new Boeing aircraft: four B777s and three B767s. We plan to add another 11 aircraft by 2012: eight B777s and three B767s. These

[Glossary, page 224](#)

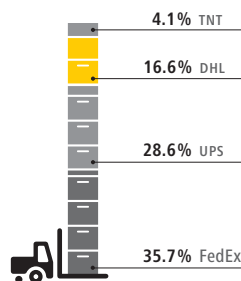
aircraft fulfil all economical and ecological requirements. Compared with earlier models, they reduce fuel consumption and in turn CO₂ emissions by more than 20%. As a result, we expect to reduce emissions by up to 66,000 tonnes per year. Our aircraft fleet thus makes a crucial contribution to meeting the Group's climate protection goals. During the week, the cargo aircraft fly to our destinations in Asia and the United States for our express business and at weekends they supplement the Lufthansa Cargo fleet. Both partners gain capacity and flexibility through this arrangement, whilst customers benefit from shorter transit times and lower unit costs.

Globalisation continues to drive growth

The global express market grew at an average of 6% to 8% per year up until 2006, largely due to globalisation. The economic downturn that ensued depressed growth markedly to 2% to 4% per year, and this continued in 2009. Globalisation nonetheless remains an important growth driver. We are continuing to expand our presence and infrastructure in growth markets. For instance, we are constructing and expanding air hubs, particularly in the Asia Pacific region. In addition, we are continuing to take advantage of our strong potential in many domestic markets outside of the United States. We see growth opportunities in the domestic express markets in Latin and South America as well as in China and India. DHL Express has been positioned strongly in all parts of the world for many years and is the international express market leader in all regions outside of North America.

A.41 American international express market, 2008¹⁾, 2): top 4

Market volume: €1,589 million



1) Covers the express products TDI and DDI.

2) 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.

International offering expanded in the Americas region

In February 2009 we exited the domestic US express business. We have now refocused fully on our core competency – the international express business. The United States will still remain an integral part of our global network, and the worldwide presence and capability of this network will guarantee us a leading position in the express market.

We have continued to significantly improve our service quality and have replaced legacy IT systems with standardised applications. Our local employees have received additional training as part of the Certified International Specialist programme, which has added strength to our position as experts in international express services and allows us to guarantee first-class service to our customers.

After successfully restructuring the US business, the Americas region was reorganised in July 2009. It now comprises the USA and the six sub-regions of Canada, Mexico, the Caribbean, Central America, Brazil and Spanish-speaking South America. In many countries in the Americas regions, we remain the market leader in the international express business. We have expanded our international service offering to include, amongst other things, pre-09.00 am deliveries to Europe, pre-10.30 am deliveries to the USA from all regions of South and Central America and pre-12.00 noon deliveries within South America.

Leading position in Europe maintained

In Europe, we have maintained our leading position with a market share of nearly 24%, even though the international express market in Europe suffered greatly from the recession. We have provided our customers with first-class service at competitive prices on all trade lanes, particularly to and from Asia and Eastern Europe.

Although we saw volumes decline in our Time Definite International (TDI) product during the reporting year, the trend away from air express shipments and towards more economical ground transport has become more pronounced. We were therefore able to expand our market position in our Day Definite International (DDI) product and slightly increase our market share.

We have reviewed our Day Definite Domestic (DDD) business for profitability and productivity and decided to implement measures for streamlining our portfolio in the UK and France.

We now deliver more than 94% of all our pre-12.00 noon shipments on time (previous year: 92.2%). Our intercontinental hub at Leipzig/Halle Airport plays a major role in making this possible. Each working day some 60 aircraft take off and land there and around 1,500 tonnes of freight are handled. We maintain connections to 46 countries on three continents with more than 27,000 city pairs between Europe, the Middle East and Africa.

At the end of 2009, we announced our intention to relocate the central functions from our head offices in Brussels to offices in Bonn, Leipzig and Prague in order to leverage synergies.

DHL dominates Asian express market

Asia remains the growth driver even in times of crisis. This is especially true in the manufacturing sector, which is responsible for the majority of international exports and express shipments. In China, Korea and Taiwan, manufacturing has already reached pre-recession levels. Government economic initiatives have given a significant boost to this recovery, as has been the case in other major economies.

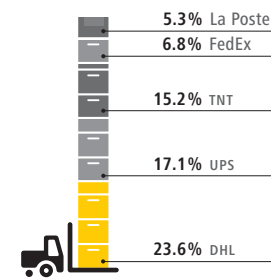
In 2009, we were able to increase our market share by two percentage points to 36%. In April, we opened new gateways in Taipei (Taiwan) and Incheon (South Korea). All in all, we have invested more than €1.9 billion in our regional infrastructure in the past few years and will continue to invest in Asia's core markets in the future.

DHL is one of the most well-known brands in the air freight and courier services industries in Asia. Reader's Digest, for instance, honoured us with its Trusted Brands Award 2009.

In the year under review, we greatly expanded the reach of our Time Definite network: we now offer our premium pre-12.00 noon delivery service for an additional 3,000 trade lanes. Our international presence, which has been strengthened by our trans-Pacific partnership with Polar Air, is complemented by our operations in key Asian domestic markets. In India, for example, Blue Dart's domestic, ground-based transport services saw encouraging growth.

A.42 European international express market, 2008¹⁾; top 5

Market volume: €14,018 million



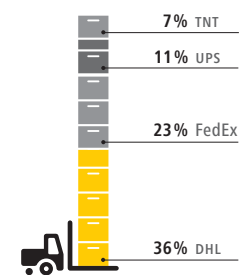
1) Covers the express products TDI and DDI.

2) Country base: AT, BE, CH, CZ, DK, ES, FR, GE, IT, NL, NO, PL, SE, UK.

Source: MRSC.

A.43 Asia Pacific international express market, 2008¹⁾; top 4

Market volume: €5,542 million



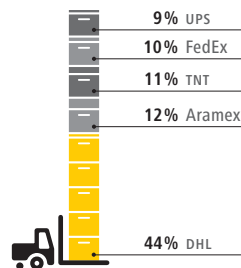
1) Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN.

Source: MRSC study from 2007, annual reports, press releases, company websites, estimates and analyst reports.

➔ Brands, page 82

A.44 International express market in the EEMEA region, 2008¹⁾: top 5

Market volume: €682 million



¹⁾ Country base: ZA, NG, KZ, RS, RU, UAE, SA, KW, EG, LB, QA, JD, BH, IR, MA.

Source: MRSC study from 2006 and 2008, annual reports, press releases, company websites, estimates and analyst reports.

Service expanded in emerging markets

In the year under review, we increased our market share to 44% in the 89 countries making up the EEMEA region (Eastern Europe, the Middle East and Africa). This region is highly dependent on the consumer goods industry, which made an encouraging recovery in the second half of 2009, particularly in Russia, South Africa and the United Arab Emirates as well as a number of other emerging economies. We were able to improve our Time Definite services significantly, delivering to over 20% more business addresses prior to 12.00 noon than in the previous year in a region that presents enormous infrastructure challenges. Now, 67% of customers receive this delivery service.

In Russia, we set up Servicepoints in Saint Petersburg in co-operation with BP. Furthermore, we had the opportunity to showcase our outstanding services by providing express services at the Moscow Fashion Week, which took place in September.

We expanded Day Definite road transport in the Middle East, North Africa and Turkey, where DHL is the only ISO-certified (10002:2004) express service provider. By investing in infrastructure and quality, we were able to win new contracts in the automotive sector and the consumer goods industry.

With respect to governance, we have consolidated the Asia Pacific and EEMEA regions at our offices in Singapore.

QUALITY

Service advantage

In the express business, customers consider on-time delivery an important indicator of quality. That is why we leverage a system to standardise and monitor the processes throughout our entire organisation. We can use it to determine on-time delivery, analyse delays in individual processes and establish ways to deliver to customers even more quickly.

Consistently high quality of service is crucial for a global network operator. We have therefore developed an operations performance monitoring system that we use to measure and improve the quality of our services. This allowed us to maintain quality at the previous year's level in the reporting year in spite of restructuring and cost cuts. We even improved delivery and pickup performance.

We are able to track shipments worldwide and dynamically adjust our processes using state-of-the-art quality control centres. Should unforeseen events occur, flight and shipment routes, for example, are altered immediately in order to ensure that shipments reach their recipients at the agreed time.

The health and safety, financial compliance and service quality of our facilities are reviewed regularly. In addition, more than 165 locations have been certified by the Transported Asset Protection Agency (TAPA), one of the world's most acknowledged safety associations. We are currently designing a quality management system that will unify our numerous certifications in accordance with ISO, TAPA and the Customer Centre of Excellence.

STRATEGY AND GOALS

In 2009, economic output dropped sharply nearly everywhere due to the recession. The transport industry, which depends heavily on exports, was hit particularly hard. We armed ourselves against this development by cutting costs and increasing efficiency in our operations and back offices, resulting in savings of approximately €1 billion in direct and indirect costs, excluding the USA. In addition, the cost base of our US activities was reduced by more than €2.4 billion as a result of our restructuring efforts. These are important requirements for achieving our goal to remain the first choice in the international express business, across all products and regions. Our strategy is based on the following three pillars:

Steadily improving customer service

The overriding goal of our endeavours in the field of express delivery is to satisfy our customers. With the help of our Group-wide First Choice programme, we work to ensure that we meet our customers' high demands for speed, reliability and cost efficiency. Using standardised systems and processes, we have increased the productivity of our sales organisation and thus significantly lowered costs. We also called and visited our customers more frequently in person. The fact that we have become better is evidenced by the more than 120 awards we received from external experts in 2009, including renowned awards such as China Best Call Centre, Best Manager and Best Agent.

The service at our customer service centres is tested and evaluated by our own employees as part of our mystery shopper programme. We also conduct customer satisfaction surveys on a regular basis to help us adapt quickly to customer needs and requirements.

Increasing profitability and productivity

The core element of our strategy is our International Time Definite air traffic network. We offer competitive pricing and first-rate service on all the major trade lanes. As a profitable express service provider, we are constantly optimising our performance standards and our costs in order to expand our market leadership. Specifically, this means:

- **Lowering operating costs.** We are improving processes and fleet management through a variety of global, regional and local initiatives. Our costs per unit have dropped by around 12% as a result. To reduce indirect costs, we have streamlined our structures considerably and have continued to standardise processes.
- **Integrating IT platforms.** We have standardised numerous systems in all regions in order to optimise interfaces and maintenance costs. In the USA, for instance, we replaced 400 legacy systems with 100 global applications, reducing not only current IT costs but future costs as well. We also adapt our technology to the needs of our customers. Today, more than 50,000 customers can track their shipment status online and by mobile telephone in more than 40 countries using our ProView e-commerce solution. In 2010, we will make our e-commerce applications even more user-friendly and easily accessible.

- **Optimising processes.** Under the umbrella of our Global Standard Operating Procedure Programme, we define worldwide process standards for our entire supply chain, from pickup to delivery. Internally, we make regular checks of whether these standards are being adhered to. Our staff are also developing systems to increase efficiency. In Berlin, for instance, the Smart Truck has been in use since March 2009. This vehicle is equipped with a dynamic route calculation program that allows the driver to react quickly to traffic situations and customer requests.
- **Streamlining the portfolio.** In order to increase our profitability and sustain it, we regularly examine our product and business portfolio with an eye towards divesting unprofitable products and markets. Therefore, we decided to sell our DDD business in the UK to Home Delivery Network. Sustainable market leadership in our TDI and Same Day Express service will remain our focus in the UK, and we are looking for potential buyers of our DDD business in France. We are confident that these are the right and necessary steps to ensure the competitive edge of our local British and French units and of DHL Express in general.

Strengthening our corporate culture

Our employees represent our main competitive advantage. We promote our principle of Respect and Results as part of our corporate culture and have made it our aim to be amongst the most attractive employers wherever we operate. In the Americas region, for instance, we have already won several prestigious awards for Best Place to Work. Employee turnover continues to decline in this region.

REVENUE AND EARNINGS PERFORMANCE

Revenue and shipment volumes decline in 2009

Revenue in the EXPRESS division declined by 24.4% in 2009 to €10,312 million (previous year: €13,637 million). Exchange rate losses impacted revenue in the amount of €198 million. Measured in local currencies and adjusted for acquisitions, the decline in revenue amounted to 24.0%. This was due in large part to our exit from the domestic express business in the US, lower volumes and lower fuel surcharge revenues. Outside the USA, revenue in local currencies was down by 11.8% after adjustment for acquisitions.

Daily shipment volumes dropped on the whole in 2009 compared with the previous year. The decline amounted to 9.4% in the TDI product line and to 1.1% and 0.7%, respectively, in the TDD and the DDD product groups outside the USA. Although the global recession impacted our business in the first three quarters, daily shipment volumes recovered somewhat in the fourth quarter, levelling out at nearly the previous year's level in the TDI product line and increasing by 3.5% and 3.4%, respectively, in the TDD and DDD product groups outside the USA.

Whilst the economic trend had a severe impact on shipment volumes, we managed to absorb the effects of our exit from the domestic US business.

A.45 EXPRESS: revenue by product

€m per day	2008 adjusted	2009	+/-%	Q4 2008 adjusted	Q4 2009	+/-%
Total						
Time Definite International	26.7	22.3	-16.5	26.2	24.3	-7.3
Time Definite Domestic	9.0	4.3	-52.2	7.5	4.7	-37.3
Day Definite Domestic	9.4	6.8	-27.7	8.6	7.1	-17.4
Excluding the USA						
Time Definite International	23.7	20.3	-14.3	23.6	21.9	-7.2
Time Definite Domestic	4.2	4.3	2.4	4.7	4.7	0.0
Day Definite Domestic	7.5	6.9	-8.0	7.7	7.1	-7.8

A.46 EXPRESS: volumes by product

thousands of items per day	2008 adjusted	2009	+/-%	Q4 2008 adjusted	Q4 2009	+/-%
Total						
Time Definite International	510	462	-9.4	496	487	-1.8
Time Definite Domestic	1,201	568	-52.7	955	592	-38.0
Day Definite Domestic	1,271	816	-35.8	1,082	880	-18.7
Excluding the USA						
Time Definite International	458	423	-7.6	449	445	-0.9
Time Definite Domestic	568	562	-1.1	570	590	3.5
Day Definite Domestic	820	814	-0.7	851	880	3.4

Europe business suffers from lower volumes and weights

Revenue dropped by 15.5% in the Europe region to €5,603 million (previous year: €6,631 million). This included exchange rate losses of €196 million, primarily attributable to our UK/Ireland, Scandinavia and Central Europe business. Adjusted for these losses as well as acquisitions in Spain and Romania, revenue in the region declined by 12.9%. Our Europe business suffered in the wake of the recession from a drop in volumes in the TDI product line and from lower weights in the DDD product group. Daily shipment volumes in TDD and DDD began recovering in the fourth quarter and closed the quarter with a slight increase.

Costs reduced considerably in the Americas region

Since February 2009, we have no longer been offering a domestic express product in the United States, and we have massively reduced our cost basis there. Restructuring in the US continued on schedule in the year under review and resulted in a total expense of €495 million. Revenue in the Americas region, which includes the USA, and the other regions of the Americas (Latin America, Canada and the Caribbean), slipped by 58.6% to €1,473 million (previous year: €3,559 million). This figure includes exchange rate losses of €3 million. Measured in local currencies, revenue fell by 58.5%. Outside of the USA, revenue fell organically by 12.0% compared with the prior year. The daily shipment volumes for TDI in the USA dropped by 25.3% on account of the recession and our restructuring initiatives, a smaller reduction than anticipated.

Lower volumes in Asia Pacific

Including exchange rate gains of €42 million, revenue in the Asia Pacific region decreased by 6.0% to €2,580 million (previous year: €2,746 million). Revenue declined organically by 9.4%, mainly attributable to lower fuel surcharge revenues and the lower volumes resulting from the economic downturn. This figure has been adjusted for currency effects and acquisitions, particularly in the domestic Chinese express business and in Australia. Daily shipment volumes in 2009 in the TDI and TDD product lines were slightly below the previous year's level. The trend in the fourth quarter reversed for these products as well, with TDI and TDD volumes rising year-on-year.

Domestic volumes remain steady in the emerging markets

In the EEMEA region (Eastern Europe, the Middle East and Africa), revenue decreased by 10.4%, from €1,176 million in 2008 to €1,054 million in 2009. This figure contains exchange rate losses of €40 million. The revenue decline amounted to 7.0% in local currencies. Whilst daily shipment volumes for TDI faded in line with the economy in the reporting year, domestic volumes in 2009 remained stable year-on-year boosted by business growth in the Middle East and Africa.

Strict cost management reflected in earnings performance

The prior-year figures for profit from operating activities (EBIT) were adjusted because we no longer report the return on plan assets in connection with pension obligations as part of EBIT. It is now reported under the Group's net finance costs/net financial income.

The division's EBIT improved in the year under review, rising by 63.2% to €-807 million for full-year 2009 (previous year: €-2,194 million) and by 83.0% to €-375 million for the fourth quarter (previous year: €-2,206 million). Adjusted for restructuring costs (€1,045 million; fourth quarter: €537 million), EBIT in 2009 was €238 million (previous year: €164 million) and €162 million in the fourth quarter (previous year: €66 million), up €96 million year-on-year.

The restructuring of our business is continuing to make progress, resulting in an encouraging improvement in earnings despite the poor economic climate. In the United States in particular, we were able to sharply reduce our loss before non-recurring items. US earnings for the year as a whole were in line with projections. In the fourth quarter, we largely achieved our goal of reducing the annualised loss in the USA to less than US\$400 million.

Outside the USA, EBIT before non-recurring items decreased from €1,118 million to €692 million due to a decline in international and domestic shipment volumes. We were able to compensate for this trend in part through strict cost management.

We improved payment terms with our suppliers and customers via consistent working capital management. However, the costs for restructuring the US business offset the improvements in EBIT before non-recurring items, in working capital and through lower capital expenditure.

Operating cash flow, which includes net cash used for restructuring and the losses in the US, fell accordingly year-on-year from €263 million to €-459 million.

GLOBAL FORWARDING, FREIGHT



BUSINESS UNITS AND MARKET POSITIONS

Global and individual transport solutions

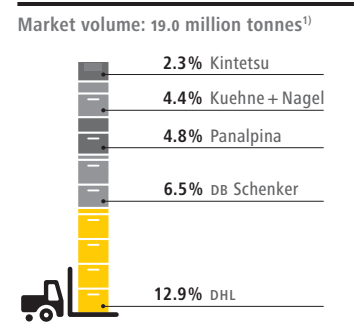
With its Global Forwarding and Freight business units, DHL is the world's largest provider of air and ocean freight services and one of the leading overland freight forwarders in Europe and the Middle East. We develop global and individual transport solutions for our customers, provide capacity and co-ordinate the dispatch of goods and information in more than 150 countries. To do so, we rely on the competence of around 39,000 employees along with reliable partners.

We broker between our customers and freight carriers and combine their orders in order to reach a volume that allows us to secure cargo space and charter capacity from airlines, shipping companies and freight carriers at competitive prices. We also make use of the air freight capacity of our EXPRESS division. Since we purchase transport services rather than providing them ourselves, we are able to operate our business with a very low level of fixed assets.

World market leader in air and ocean freight

DHL Global Forwarding is the industry leader in air and ocean freight. Around 29,000 employees work to ensure that shipments of all kinds are transported to their destination by air or by sea. We also support our customers by providing special transport-related services: we store, collect and deliver the goods, handle customs formalities, insure the load and supply information. In this way, we ensure safety and reliability even across national borders. Our customers come from companies of all sizes. They operate primarily in the technology, pharmaceutical, automotive, manufacturing/mechanical engineering, fashion and consumer goods sectors. We also plan and implement industrial projects worldwide, in particular for the oil and energy industry. To an increasing extent, we also contract for transport management services in order to combine all means of transport for our customers with the goal of reducing complexity, improving quality and lowering costs.

A.47 Air freight market, 2008: top 5



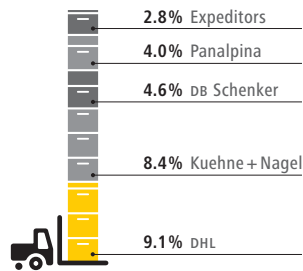
¹⁾ Data based solely on export freight tonnes.
Source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates.

➔ Economic parameters, page 20

➔ Glossary, page 224

A.48 Ocean freight market, 2008: top 5

Market volume for forwarding:
31.7 million TEU^{1),2)}



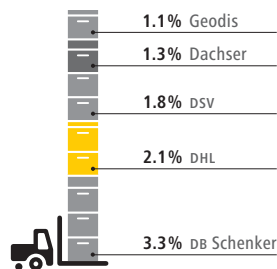
1) Estimated part of overall market controlled by forwarders.

2) Twenty-foot equivalent units.

Source: Global Insight, Global Trade Navigator, annual reports, press releases and company estimates.

A.49 European road transport market, 2008: top 5

Market volume: €169.4 billion¹⁾



1) Country base: total for 20 European countries, excluding bulk and specialties transport.

Source: MRSC market studies in 2008 and 2009, Eurostat 2008, annual reports, press releases, company websites, estimates and analyst reports.

DHL remains leader in an air freight market seriously affected by the crisis

The decline in global trade volume had an especially serious effect on the air freight market. IATA reports a 10.1% decline in market volume measured in freight tonne kilometres, whilst DHL registered a decline of approximately 13%. A direct comparison of these two figures, however, cannot be made because the IATA figures do not include data on charter flights and non-IATA carriers like CargoLux. DHL remains the market leader in both cases.

Increased global presence in ocean freight market

We are the global leader in both less-than-container-load (LCL) and full-container-load (FCL) shipments. However, the ocean freight business also suffered from the sharp drop in world trade. According to our estimations, the market volume decreased between 12% and 13% in 2009. By contrast, our volumes only declined by roughly 9%, which allowed us to increase our market share.

Market share stabilised in European overland transport

DHL Freight is the second-largest overland freight forwarder in Europe and the Middle East, with approximately 10,000 employees and services in more than 53 countries. We see ourselves as a broker of freight capacity. In the overland transport business, we provide full-truckload, part-truckload and less-than-truckload services. We also offer intermodal services with other carriers, especially rail transport companies. Moreover, our range of services includes handling customs formalities and providing insurance.

DHL is also one of the leading providers of trade fair, exhibition and event logistics. Our range of services includes trade fair transport and customised full-service solutions for exhibitors, event organisers, event management and staging companies and event agencies.

In 2008, the European market for road transport grew by 1.3% (previous year: approximately 4.2%) even though the financial crisis had begun affecting the entire transport industry in the fourth quarter of 2008. The decline in demand continued in the first half of 2009, amounting to an average of 20% to 25% on the previous year. Overcapacity also put pressure on freight rates, although conditions began easing in mid-2009. Still, total quantities transported dropped by nearly one-sixth during the year under review. We were able to stabilise our market share at 2.1% according to our calculations.

QUALITY

The advantage of customer proximity

We measure the quality of our services by the level of satisfaction of our customers. During the reporting year we again focused our attention on customers, surveying more than 15,000 of them in over 50 countries. We then generated some 600 measures based on the results. We often work out improvements in conjunction with our cus-

tomers, using the Six Sigma method upon which our First Choice programme is based. With one of our key ocean freight customers, for instance, we co-operated to reduce its lead time by 63%, from 45 to 16.5 days. More than 1,000 of our executives have become certified in the First Choice methodology which allows us to increase quality even more rapidly.

The various awards we have received testify once again to the success of our endeavours for even better quality. One of these was received from a key account in the technology sector, Huawei, which presented us with the Excellent Core Partner Award for outstanding cross-sector services for the second time in a row. We were the only logistics company to be given this award. Supply Chain Asia, a logistics magazine, once again named us Air Freight Forwarder of the Year and Best Logistics Provider of the Year in India. All in all, our customers attest to the fact that the quality of our product offering has improved. Customer satisfaction increased on average compared with the previous year.

STRATEGY AND GOALS

We are well positioned in our markets thanks to our product offering in air, ocean and road transport. Our goal is to achieve steady, organic growth in excess of the market average. To this end, we pursue three approaches:

Bolstering our presence in growth markets

We are fine tuning our network in areas where we see the greatest growth opportunities, particularly in Asia, the Middle East, Africa and Latin America. In 2009, for instance, we added four countries to our African network and opened 19 new locations in China and our own offices in Pakistan. We are also adding transport and charter agreements to our range of services on the expanding trade lanes that connect these regions. In our ocean freight business, we are enlarging our tightly woven LCL network, which at present offers approximately 1,000 routes per week.

Creating sector-specific solutions

We develop transport solutions that meet the needs of specific industries. In the year under review, these mostly focused on the fashion and apparel, oil and gas, wine and spirits, pharmaceuticals and technology industries. Together with industry experts, we have set up competence centres for the fashion and apparel industry in key Asian markets such as India, Vietnam, Cambodia and Hong Kong. We maintain similar facilities for the oil and gas industry in Singapore and Houston.

Modernising our infrastructure

We are investing in a networked IT infrastructure and new technologies. We offer customers in the retail sector and consumer goods industry a complete overview of their procurement and ordering processes at every link of the supply chain.

REVENUE AND EARNINGS PERFORMANCE

Satisfying development in freight forwarding business

The GLOBAL FORWARDING, FREIGHT division generated revenue of €10,870 million in 2009, a year-on-year decline of 23.3% (previous year: €14,179 million). The total was impaired by exchange rate losses of €97 million. Revenue shrank organically by 22.7% in the reporting period. We are satisfied with our business performance in 2009 in view of the difficult sector environment.

The Global Forwarding Business Unit generated revenue of €7,891 million, down 25.5% year-on-year (previous year: €10,585 million). The decrease was 25.0% after adjustment for exchange rate losses of €45 million. As a result of the global recession, air and ocean freight rates fell to historic lows in the first half of 2009. We were therefore able to purchase lower-cost transport and in turn limit the decrease in our gross profit, which fell a total of 12.6% year-on-year to €1,943 million (previous year: €2,222 million).

Volume decline stabilises in the second half of the year

Although cumulative transport volumes for 2009 were below the prior-year level, volumes stabilised in the third and fourth quarters.

Air freight volumes (exports) in the reporting year were down 13.2% on the prior year. In the fourth quarter, however, they registered an increase of 12.5%, or 20% more than in the third quarter of 2009, which had also seen an improvement. Air freight revenue for 2009 fell by 26.6% year-on-year due to lower fuel surcharges and freight rates in the first half of the year. In particular, results on trade lanes from northern Asia were weaker than in the previous year. Our business in the Middle East and Africa remained robust.

A.50 Global Forwarding: revenue

€ m						
	2008	2009	+/- %	Q4 2008	Q4 2009	+/- %
Air freight	5,388	3,957	-26.6	1,341	1,209	-9.8
Ocean freight	3,418	2,450	-28.3	924	621	-32.8
Other	1,779	1,484	-16.6	479	378	-21.1
Total	10,585	7,891	-25.5	2,744	2,208	-19.5

A.51 Global Forwarding: volumes

thousands							
		2008	2009	+/- %	Q4 2008	Q4 2009	+/- %
Air freight	tonnes	4,291	3,734	-13.0	1,007	1,135	12.7
of which exports	tonnes	2,437	2,116	-13.2	569	640	12.5
Ocean freight	TEU ¹⁾	2,882	2,615	-9.3	754	687	-8.9

1) Twenty-foot equivalent units.

In ocean freight, we outperformed the market in a year-on-year comparison. Our volume declined 9.3% compared with the 12% to 13% drop in the market. As a result of the rate decrease, our revenue dropped 28.3% in the reporting year. In the Middle East, Africa and the South Asia Pacific region, our business trend was encouraging.

The industrial project business continued to perform well in the reporting period, effectively matching the strong level of the prior year.

Transport capacity was reduced substantially in the last few months of the year, which resulted in air and ocean freight transport services becoming significantly more expensive. However, we have not yet been able to pass on all of these higher costs to our customers. The increase in freight rates, particularly for air freight, impacted our gross profit margin in the fourth quarter. Profit from operating activities (EBIT) fell year-on-year in line with the difficult economic situation.

European overland transport business sees revenue decline

The Freight Business Unit reported revenue of €3,065 million in the year under review, down 17.4% year-on-year from €3,710 million. Adjusted for exchange rate losses of €54 million, revenue shrank organically by 15.9%. Gross profit was €846 million and thereby below the previous year (€955 million). Countries that rely extensively on the automotive sector registered especially sharp declines.

Operating cash flow and net working capital trend encouraging

The prior-year figures for EBIT were adjusted because we no longer report the return on plan assets in connection with pension obligations as part of EBIT. It is now reported under the Group's net finance costs/net financial income.

Division EBIT was €191 million in the year as a whole (previous year: €362 million) and €23 million in the fourth quarter (previous year: €73 million). Adjusted for restructuring costs (€81 million; fourth quarter: €44 million), EBIT before non-recurring items was €272 million in full-year 2009 (previous year: €403 million) and €67 million in the fourth quarter (previous year: €114 million). We have continuously reduced operating and indirect costs by means of restructuring and cost reduction programmes. Moreover, our sales team was successful in generating new business.

Thanks to strict cost management, we maintained operating cash flow at a high level in 2009 (€528 million; previous year: €630 million). In the fourth quarter, however, operating cash flow was impacted by restructuring costs.

Net working capital performed very well in 2009, amounting to €271 million (previous year: €514 million). This allowed us to compensate in part for the effect of the decline in earnings on operating cash flow.

SUPPLY CHAIN



BUSINESS UNITS AND MARKET POSITIONS

Consistent branding of all DHL units

In the first quarter of 2009, we renamed the SUPPLY CHAIN/CORPORATE INFORMATION SOLUTIONS division in order to provide a consistent branding for all DHL units. It is now called the SUPPLY CHAIN division and houses the Supply Chain and Williams Lea business units.

Customer-focused Global Supply Chain solutions

We provide many industry sectors with customer-focused solutions that span the entire supply chain. By offering warehousing, distribution, managed transport and value-added services, we ensure that products and information reach markets faster and more efficiently, and create competitive advantage for our customers.

Our Supply Chain business is organised into four geographic regions. With local insight and global scale, we serve customers in more than 60 countries providing support for complex business transformations.


Our Williams Lea Business Unit is an expert in outsourcing corporate information management. Solutions include Office Document Solutions, Marketing Solutions and Customer Correspondence Management. We offer these solutions for customers in the financial, retail, consumer goods, pharmaceutical, publishing and public sectors. For example, we provide printing services for Wal-Mart in the USA, readying much of the company's circular advertising inserts for distribution in newspapers or as direct mailings. This four-year contract, signed in mid-2009, covers most of their circular print needs and related logistics services.

Industry sector expertise

We have defined seven key strategic industry sectors for our Supply Chain business: Consumer, Retail, Technology, Life Science & Healthcare, Automotive, Energy and Airline Business Solutions. Each sector is managed by a dedicated sector head who is supported by a global team of experts that handle customer projects and develop sector-specific supply chain solutions.

Consumer and Retail are our highest revenue sectors and remain our priority growth areas. Here we manage customer supply chains from the source of supply to the retail shelves. Flexibility, reliability and cost efficiency are key value drivers for our services in these sectors, which range from international inbound to warehouse and transport management to packaging and other value-added services.


Customers in the Technology sector require fast, flexible and efficient supply chains, and the demand for integrated product and service parts logistics is increasing. We help our customers improve their cost structures, especially in these difficult economic times. Our product portfolio ranges from inbound-to-manufacturing services to warehousing and distribution to integrated packaging, returns management and technical service solutions.

 Glossary, page 224

We see good business opportunities in the Life Science & Healthcare sector because the supply chains and business processes in many parts of the world are immature and the pressure to increase efficiency in this industry sector whilst reducing costs is constantly on the rise. We developed, for example, a successful supply chain model for the British National Health Service (NHS) that aims to generate savings for the NHS of approximately €1 billion over 10 years. Our services include the procurement and distribution of medical supplies in the UK.

The global financial crisis hit the automotive industry harder than most. It is because of this that our Automotive sector team focuses primarily on adapting our services to the changed structural environment and on enhancing our unique services.

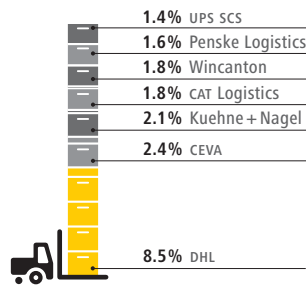
In the fast-growing Energy sector, we team up with other DHL units to provide integrated logistics solutions for both the build and run phases of major energy projects. For example, we operate one of the world's largest fourth-party logistics services in Oman, transporting cargo and water and co-ordinating the movement of about 40 land-based oil rigs a month. We anticipate a strong increase in demand for energy as well as more regulation in terms of sustainability, both of which will most likely drive demand for our services.

 Glossary, page 224

A new sector we are focusing on is Airline Business Solutions, which we defined based on our activities in the aviation industry with customers such as airlines, airport operators and aircraft manufacturers. In 2009, we won a new contract with British Airways to provide catering and logistics for short-haul flights from Heathrow Airport, a contract that positions us at the innovative forefront of this sector.

A.52 Contract logistics market, 2008: top 7

Market volume: €147 billion¹⁾



¹⁾ These figures cannot be compared with those of previous years because the institute compiling the data and the compiling method have changed.
Source: Transport Intelligence.

Global market leader in contract logistics

DHL Supply Chain is the global market leader in contract logistics with a market share of 8.5% (2008). In this highly fragmented market the top 10 players only make up about 23% of the overall market, the size of which is estimated to be €147 billion. Whilst we are the leading contract logistics provider in our largest markets, North America and Europe, we face strong competition from local suppliers in all regions, especially in the fast-growing Asia Pacific market. We are confident that we can leverage our global expertise and good relationships with multinational corporations in order to expand our business in these markets.

Our Williams Lea Business Unit leads the market in outsourcing information management. This market is also highly fragmented and consists largely of specialists offering either a very limited set of services or occupying exclusive niches. Thanks to our broad range of international services and long-lasting customer relationships, we were able to build on our market leading position. In addition, we are leveraging DHL's excellent customer relationships to win new business for Williams Lea.

QUALITY

Driving new business from improved customer satisfaction

Our goal is to lead the supply chain industry in quality practices and methodologies that are recognised as providing the highest level of service and value to our customers. Our First Choice initiatives are the approach to achieving those goals.

We have developed globally consistent processes which underpin our efforts to deliver standard, replicable solutions and service standards to our customers around the world. These leading industry practices work to ensure that customer experience is at a consistent, high level.

Dedicated teams of project managers in each of our regions are trained in leading project management methodologies and employ a standard set of tools. Our process improvement advisors held approximately 1,300 workshops in 2009. Often working together with customers, action plans were developed to reduce costs and improve performance in these workshops, which were documented and put into practice throughout the year.

We have defined a number of key indicators which we use to measure the performance and quality of our warehouse and transport management operations including safety, productivity and inventory accuracy. Carbon efficiency is one of those key performance indicators we measure at all sites globally on a monthly basis in an effort to achieve our goal of improving carbon efficiency as part of our systematic climate protection programme, GoGreen. Carbon efficiency projects have been implemented and tracked across the business, including energy-efficient lighting in all regions, GoGreen office implementation at 24 offices globally, and the Switch Off employee engagement campaign. We have focussed on road fleet performance, for example in the UK, where we have introduced speed limits, aerodynamics, driver training and other programmes to reduce fuel consumption.

STRATEGY AND GOALS

Profitable growth in all markets

In the future we will continue to take advantage of our capabilities and competencies to build on our leading market position. Our goal is to achieve long-term profitable growth in all of our markets and to supply high-quality services. In order to improve our profitability, we will continue the 5 to Thrive programme which was launched in early 2009 and which aims to reduce costs and enhance operational excellence.

Long-lasting partnerships with customers

We strive to build lasting partnerships with our customers, and we intend to position ourselves as a leading innovator in contract logistics. The end-to-end outsourcing solutions we offer for the NHS and British Airways are examples of how we will accomplish this.

Improving processes – always

We aim to develop and launch new products in each sector we focus on. We strive for operational excellence by continuously examining and improving our processes and by applying our best practice project management methodologies. We are always looking to improve the performance of our sales organisation and our operational platform. For instance, in 2009 we launched a rationalisation programme to reduce the number of IT systems and thereby lower maintenance, installation and training costs.

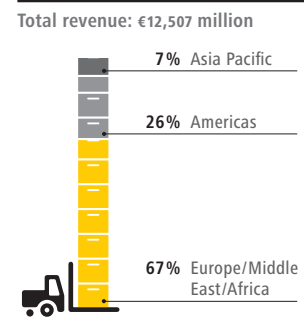
REVENUE AND EARNINGS PERFORMANCE

Economic crisis impacts customer business

SUPPLY CHAIN division revenue for full-year 2009 declined by 8.8% to €12,507 million (previous year: €13,718 million). Fourth-quarter revenue decreased by 8.8% to €3,223 million (previous year: €3,535 million). Organically, the drop in revenue amounted to approximately 6% for both the year as a whole and the fourth quarter. This figure excludes currency translation effects of €-399 million for the reporting year and €-103 million in the fourth quarter. We declined to renew, or exited, a number of underperforming contracts, which will help us to improve our EBIT margin. Around 21% of the organic revenue decline was attributable to these measures to streamline the portfolio, which had little impact on EBIT.

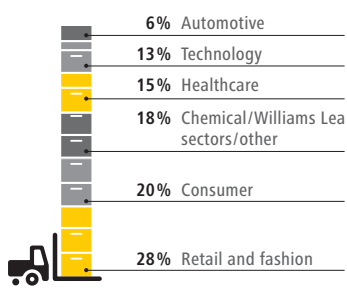
The Supply Chain Business Unit generated revenue of €11,302 million (previous year: €12,469 million). This represented a reduction of 9.4%, or 6.6% on an organic basis. Most regions and sectors were impacted by lower customer volumes due to the economic downturn. In the Americas region, the largest impacts were seen in the Automotive, Technology, Home Delivery and Transport Management sectors. In Germany, revenue fell in the second half of 2009 following the Arcandor insolvency. By contrast, in the United Kingdom the revenue trend was positive due, above all, to growth in the Healthcare sector.

A.53 SUPPLY CHAIN, 2009:
revenue by region



A.54 SUPPLY CHAIN, 2009: revenue by sector¹⁾

Total revenue: €12,507 million



¹⁾ Sectors as reported in 2009.

Williams Lea revenue was €1,206 million in 2009 (previous year: €1,243 million). This represented a reduction of 3.0%, which was due to exchange rate movements. Organically, revenue increased by 0.6%. Reductions in revenue from volume decreases were mitigated by new business wins and the successful diversification from the Financial Services sector.

Encouraging business wins in a difficult market

Additional contracts with existing and new customers totalling €1.1 billion in annualised revenue were signed by the Supply Chain Business Unit in 2009 despite the turbulent market conditions. Airline Business Solutions is a new sector we are focussing on following the contract won with British Airways. The contract renewal rate remained constant at above 90% throughout the year.

Williams Lea also had a number of encouraging large new business wins including contracts with Wal-Mart in the USA and a major European electronics company, both sizeable existing DHL customers.

Earnings impacted by Arcandor insolvency and non-recurring charges

The prior-year EBIT figures were adjusted as we no longer report the return on plan assets in connection with pension obligations as part of EBIT. It is now reported under the Group's net finance costs/net financial income.

The division reported a loss from operating activities (EBIT) of €208 million for full-year 2009 (previous year: loss of €920 million). The fourth quarter loss amounted to €171 million (previous year: loss of €1,069 million). In 2009 restructuring costs of €87 million were incurred across the business units in the division, €73 million of which in the fourth quarter alone. As a result, the loss from operating activities (EBIT) before non-recurring items amounted to €121 million for full-year 2009 and €98 million for the fourth quarter. The insolvency of Arcandor resulted in a charge of €213 million for full-year 2009 (fourth quarter: €48 million). EBIT before non-recurring items has not been adjusted for this charge. Further costs of €97 million were incurred in Europe for employee termination, other liabilities and impairment charges relating to legacy properties in 2009. The year 2008 had been impacted by write-downs on the value of the Exel brand, on goodwill and by restructuring, which altogether totalled €1,116 million. Return on sales improved to -1.7% (previous year: -6.7%). The difficult trading conditions were mitigated by restructuring initiatives and savings in indirect costs.

Strong operating cash flow of €432 million (previous year: €481 million) was generated, in part thanks to a reduction in working capital of €98 million.

NON-FINANCIAL PERFORMANCE INDICATORS

EMPLOYEES

Decrease in number of employees

Our employees, working in over 220 countries and territories, represent the success of Deutsche Post DHL. As at 31 December 2009, we employed 424,686 full-time equivalents, 5.9% fewer than in the previous year. The decrease was primarily due to our restructuring activities in the wake of the recession and resulted in a decline in staff costs of 7.4% to €17,021 million (previous year: €18,389 million).

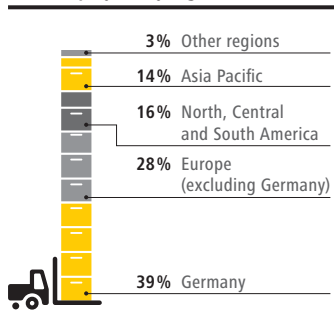
A.55 Number of employees (continuing operations)

	2008	2009	+/- %
At year-end			
Headcount ¹⁾	512,536	477,280	-6.9
Full-time equivalents²⁾	451,515	424,686	-5.9
of which MAIL	142,674	143,042	0.3
EXPRESS	108,275	96,520	-10.9
GLOBAL FORWARDING, FREIGHT	41,499	38,859	-6.4
SUPPLY CHAIN	143,786	132,367	-7.9
Corporate Center/Other	15,281	13,898	-9.0
of which Germany	167,816	166,880	-0.6
Europe (excluding Germany)	136,649	120,074	-12.1
Americas	78,212	66,833	-14.5
Asia Pacific	55,182	57,897	4.9
Other regions	13,656	13,002	-4.8
Average for the year			
Headcount	511,292	488,518	-4.5
of which hourly workers and salaried employees	456,149	435,072	-4.6
Civil servants	51,304	49,691	-3.1
Trainees	3,839	3,755	-2.2
Full-time equivalents	456,716	436,651	-4.4

1) Including trainees. 2) Excluding trainees.

In the MAIL division, the number of employees grew by 0.3% to 143,042. The increase was due to our employing additional temporary workers in order to reduce overtime amongst our core staff and the associated costs. Civil servants seconded to public authorities are now also included in the figure. These two factors more than offset the decrease that resulted from additional productivity increases and the reorganisation of our retail outlet network.

Compared with the previous year, the number of employees in the EXPRESS division fell by 10.9% to 96,520. This was primarily related to the restructuring of our US business. In addition, we were forced to reduce the number of employees as a consequence of the recession, particularly in Europe. In Asia, new employees joined the Group as a result of an acquisition in China.

A.56 Employees by region, 2009¹⁾

¹⁾ Full-time equivalents as at 31 December.

In the GLOBAL FORWARDING, FREIGHT division, the number of full-time equivalents dropped by 6.4% to 38,859. The SUPPLY CHAIN division improved its competitive position by reducing the number of employees by 7.9% to 132,367.

In the Corporate Center/Other segment, staff levels continued to decline, dropping by 9.0% to 13,898. Our cost reduction programme is beginning to take effect, particularly in the indirect functions such as IT and accounting.

The majority of our employees work in Germany, where the workforce has remained stable. In the rest of Europe, the Americas and the remaining regions, staff levels have declined because of the economy and the reorganisation of our US express business. In Asia, the number of employees has increased as a result of an acquisition.

Our aspiration: to be the most attractive employer in our sector

Having dedicated, skilled employees is crucial to the success of Deutsche Post DHL. For this reason, we want to be regarded as a preferred employer wherever we operate. Our new human resources organisation, which we introduced in the middle of the year, will allow us to meet the Group's requirements even more effectively. We have defined five cornerstones for our efforts in human resources: to establish a leadership culture based on our principle of Respect and Results; to motivate our employees even more; to strengthen co-operation within the Group; to promote the growth of our business; and to increase the efficiency of our human resources processes by finding simplifying and sustainable solutions.

Important step: wage agreement reached

On 30 October 2009, we reached agreement with the Verdi trade union on extensive measures to relieve our cost burden and secure the jobs of the approximately 130,000 employees of Deutsche Post AG. According to the agreement, there will be no pay increases in 2010 or 2011. We have also reduced paid breaks during night shifts, suspended payment of overtime premiums and agreed upon additional cost-cutting measures. In return, layoffs have been ruled out until the end of 2011, extending the previous agreement by another six months and securing jobs.

A.57 Illness rate¹⁾

¹⁾ According to a survey of organisational units in Germany.

A healthy and safe workplace

The health and safety of our employees is of great importance to us. To ensure this, we have put a Group-wide system into place, which includes, for example, our Corporate Health Award, with which we recognise exemplary health initiatives each year. In 2009 – as in 2008 – our corporate health management system was awarded the German Corporate Health Award by the European Commission and the *BKK Bundesverband* (German federal association of company health insurance funds). Thanks to our thorough preparations for a potential flu pandemic, we have minimised the risk of our employees contracting the influenza A (H1N1) virus ("swine flu"). At 6.9%, the illness rate in Germany remains at a low level (previous year: 6.6%).

We expanded our Group-wide network of occupational safety experts. Some 200 specialists in 61 countries are able to share their experiences and discuss proven methods and products via an intranet platform. In the year under review, the certification of our occupational health and safety organisation's quality management system was renewed.

A.58 Occupational safety¹⁾

	2008	2009 ³⁾
Number of workplace accidents ²⁾	11,987	12,954
Accident rate (number of accidents per 1,000 employees per year)	66	71
Number of working days lost due to accidents (in calendar year)	255,590	273,978
Working days lost per accident	21.3	21.2
Number of workplace-related deaths ⁴⁾	2	1

1) Includes employees of Deutsche Post AG.
 2) If at least one working day is lost; including accidents on the way to the workplace.
 3) As at 5 February 2010, since accidents on the way to the workplace may also be reported after the balance sheet date.
 4) Excluding accidents on the way to the workplace.

Our future – the young generation

By training young people, we not only secure our future cadres of qualified specialists, we also make a key contribution to society. In 2009, we took on approximately 1,600 trainees and college students in Germany. Our more than 20 traineeships range from courier, express and postal services to air traffic specialists and studies at *Duale Hochschulen* (German universities of co-operative education). We hired nearly 70% of eligible trainees, thus substantially exceeding the figure of 30% of trainees in the classes of 2007 to 2009 stipulated in the training pact made with Verdi.

We foster particularly capable trainees in our top trainee programme. This guarantees the top 5% of all our trainees in Germany (approximately 3,600) a permanent job after successfully completing the programme, which adds incentive for trainees to do their best.

Perspektive Gelb is our programme to give a chance to young people who might not otherwise be offered a traineeship. In 2009, we took on nearly 90% of the 212 participants in the class of 2008, and we offered another 300 openings.

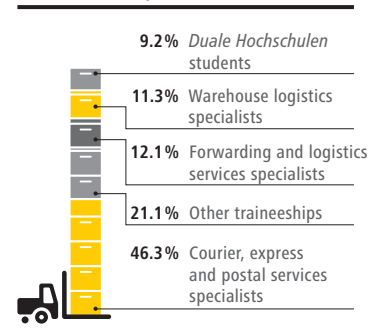
As part of our Group-wide Graduate Opportunities Worldwide (GrOW) programme, we hired 31 university graduates in 2009.

Attracting applicants and offering online professional development

We take advantage of the latest technologies to attract and develop people. Our online career portal was again ranked amongst the top three in Germany and in Europe in the Top Employer Web Benchmark 2009 put out by Potentialpark Communications, a market research institute. Each year, we advertise more than 12,000 jobs online. Our online simulator – part of our Discover Logistics initiative – has received a lot of attention. A total of 8,500 participants from 122 countries have signed up for it. This initiative has enabled us to spark the interest of qualified young talent in our sector.

Our online training platform mylearningworld.net is an important part of our education and development concept. 50,000 employees around the world are currently taking advantage of the more than 2,000 courses we offer. In 2009, we introduced language training to the platform. The DHL Freight Forwarding Academy is intended for staff members at the GLOBAL FORWARDING, FREIGHT division. Our employees completed more than 48,000 online courses in 2009 – three times as many as in the previous year. We plan to expand both of these opportunities in 2010.

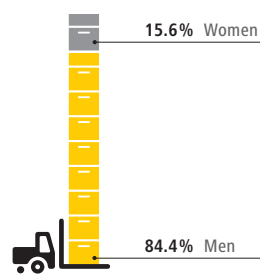
A.59 Traineeships^{1),2)}



1) All organisational units in Germany.
 2) Number of trainees, annual average: 3,755.



A.60 Gender distribution in top management¹⁾



¹⁾ Based on first and second-level executives.

→ Corporate strategy, page 25 f.

Fostering young talent

We make a special effort to foster qualified and dedicated young talent in order to fill management positions from our own ranks. Our internal placement rate rose to 89.9% in the reporting year, up from 86.9% in the previous year. This rate is based on the grades B to F in our internal performance evaluation system. We offer selected young talent the chance to earn an MBA degree from external business schools alongside their employment. Our programmes, such as Women in Leadership and International Mentoring Programme, foster young female talent in particular. In our International Business Leadership Programme, 100 executives worked on business strategies and enhanced their leadership qualities during the year under review.

We encourage our employees to gather experience in different divisions. In this way, we intend to improve co-operation within the Group as stated in our corporate strategy. In 2009, 19.1% of internal job placements involving top executives were cross-divisional. Our goal is for every second executive at the top two management levels to take advantage of this opportunity to expand their expertise by 2015.

Creating performance incentives

Our new variable incentive and share matching scheme for executives creates substantial leverage for bolstering the performance of our organisation in the long term. It focuses incentives on Group performance, makes executive remuneration more performance based and honours outstanding achievements. We also provide our executives with company shares, thus enabling them to have a direct stake in the success of our company.

Living diversity

The motto of our corporate culture – Living Diversity – is anchored in the Group's code of conduct and is specifically promoted as part of diversity management. Our human resources policy has been repeatedly awarded the rating of TOTAL E-QUALITY by the association of the same name, which aims to ensure that equal opportunity for women and men is incorporated firmly into the business world. One of our goals is for people with a disability to enjoy equal treatment in terms of being able to take part in working life. At Deutsche Post AG, the average annual employment rate is 7.5% of people with a disability (as at 25 January 2010), well above the national average in the German private sector.

Demographic change is putting the spotlight on older workers. Since we know that ageing populations will affect the Group's employment structure in many countries, we are currently identifying areas for potential action and initiating suitable measures. Another of our goals is to offer all employees a discrimination-free work environment, regardless of their sexual orientation or sexual identification.

A.61 Work-life balance¹⁾

Headcount	2008	2009
State-regulated parental leave	2,721	2,302
Unpaid holiday for family reasons	2,673	2,559
Part-time employees	71,934	67,010 ²⁾
Share of part-time employees (%)	40.0	38.4

¹⁾ Includes employees of Deutsche Post AG.

²⁾ Excluding employees in partial retirement in the release phase.

Our employees' opinions matter to us

We aim to be the first choice for our customers, our employees and our shareholders. To achieve this, we need to know what our employees think of us and where we can make improvements. In September, we conducted our third Group-wide employee opinion survey for this purpose. The response rate remained stable at 76%. In light of the persistent economic crisis, we were pleased to find that 68% of all those surveyed were satisfied with their jobs (previous year: 65%). The figures for our customer promise (70%) and co-operation (72%) were also high. We continue to see room for improvement in the areas of employee survey follow-up measures (45%), communication (56%) and strategy (56%). Based on the results of the survey, we are developing measures to be implemented jointly by executives and staff.

Our executives also rely heavily on our "360-degree feedback". During the year under review, all senior-level executives allowed themselves to be rated anonymously by their superiors, colleagues and staff. We then established rules of conduct for treating each other with respect based on our principle of Respect and Results.

Employee ideas provide added value

In the reporting period, Group employees again submitted many suggestions for streamlining workflows, reducing repair and energy costs, and improving environmental protection, the latter being once again a main focal point. As part of the Save Fuel Idea 2009 competition, employees came up with nearly 7,000 ideas for reducing fuel consumption. In 2010, we would like to integrate our idea management programme even more firmly in our global Group.

A.62 Idea management

		2008	2009
Savings per employee	€	499.98	550.24
Suggestions for improvements	number	218,711	226,993
Accepted suggestions for improvements	number	162,471	178,303
Benefit	€m	265.0	262.6
Cost ¹⁾	€m	12.5	12.0

¹⁾ Based in part on estimates.

CORPORATE RESPONSIBILITY

Living responsibility

As the largest company in our industry, we take our environmental and social responsibility seriously. This is why we have chosen Living Responsibility as our motto, which embodies our many initiatives in the areas of environmental protection, disaster management and education that are designed to increase our employees' motivation and their identification with the company as well as to make the Group more well-known and respected and to improve its competitive position.

GoGreen – protecting the environment

Our GoGreen programme was developed to establish a systematic approach to achieving our climate protection target. By 2020, we want to improve our carbon efficiency by 30% in comparison with 2007. This also includes emissions generated by the transport services of our sub-contractors, which make up approximately 80% of the Group's total carbon footprint. We are the first globally operating company in our sector to have set a measurable climate protection target. Improving carbon efficiency will also minimise our dependency on limited fossil fuels, reduce cost risks associated with energy and fuels and prepare the Group for a future in which CO₂ emissions will increasingly be subject to pricing.

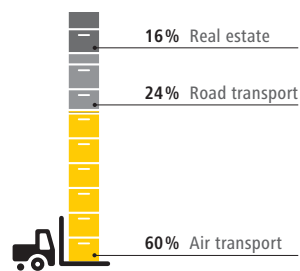
We determine and calculate our carbon emissions based on the internationally recognised Greenhouse Gas Protocol (GHG Protocol), which distinguishes between direct emissions from sources owned or controlled by an entity (Scope 1) and indirect emissions resulting from the consumption of purchased energy (Scope 2).

In the year under review, our Scope 1 and Scope 2 carbon emissions were approximately 5.6 million tonnes (previous year, according to the Sustainability Report 2009, as at April 2009: approximately 6.7 million tonnes). These emissions resulted from our direct use of roughly 520 million litres of fuel (diesel, petrol etc.) and some 1,300 million litres of kerosene. Furthermore, our facilities consumed approximately 3,500 million kilowatt hours of energy (electricity, natural gas etc.).

The decline in emissions was a product of CO₂ reduction and efficiency measures as well as the economic crisis. We also improved the quality of CO₂ data, which we now record via our financial system. Carbon emissions from sub-contracted transport services will be detailed in the next Corporate Responsibility Report, which will also include a statement on our carbon efficiency in 2009.

A.63 CO₂ emissions, 2009

Total: around 5.6 million tonnes¹⁾



¹⁾ Scopes 1 and 2.

The GoGreen programme's five action areas

GoGreen is basically the Group's umbrella programme for our environmental activities. The following examples show our progress in the reporting year in our five key areas:

- **Providing transparency.** Since 2009, we have been using our financial system to record data on our carbon emissions. We do this by linking Group-wide invoicing data with data on fuel and energy consumption. Carbon efficiency is already a key indicator in our strategic planning and is one of the criteria we use to make major investment decisions.
- **Increasing resource efficiency.** We are continuously improving the carbon efficiency of our fleet, buildings and networks. To this end, we test options in the area of aerodynamics, drive technology and fleet renewal, optimise our networks, route planning and capacity utilisation, and combine various means of transport. Our sub-contractors are an important key to this process. In 2009, we asked our road transport partners if they were willing and able to report on their carbon efficiency. Based on their response, we developed a survey for the first half of 2010 to help us improve our data quality in this area.
- **Mobilising employees.** A crucial factor in improving our carbon efficiency is the environmental awareness and resource conservation of our approximately 500,000 employees worldwide. In the 2009 Employee Opinion Survey, nearly 60% indicated that their team was making a contribution to saving energy at the workplace. One important measure is encouraging our drivers to drive more efficiently through training programmes, ideas competitions and campaigns.
- **Offering green solutions.** We offer our customers a growing portfolio of green solutions. Since 2009, these have also included international mail products. Mail and parcels sent GoGreen are carbon neutral because the emissions caused by their transport are offset by climate protection projects. We provided these services, for instance, in 2009 in our capacity as the official logistics partner of the UN Climate Change Conference in Copenhagen. In the field of logistics, we have implemented a transport concept together with Bosch and Siemens Hausgeräte GmbH that allows us to redirect each year some 13,000 TEU from roadways to railways.
- **Shaping the political agenda.** In order to protect the environment and the climate, a global political framework is needed that the industrial sector helps to shape and that it will be able to sustain. We have four main policy positions. 1. We support the introduction of a global framework for carbon pricing. 2. We are calling for the development of international, industry-driven standards for measuring carbon at an organisational, product and customer level. 3. We are calling on governments and institutions to incentivise investment in carbon-efficient solutions. 4. We are promoting research and development for more efficient transport solutions.

GoHelp – helping people

We take advantage of our logistics expertise and global presence to provide disaster relief together with strong partners. The partnership with the United Nations is an expression of our social commitment, which we support in numerous projects all over the world.

We work in close co-operation with the Office for the Co-ordination of Humanitarian Affairs (OCHA) to provide logistics support in the aftermath of natural disasters. To save lives, relief goods must be distributed quickly and properly. Our global network of Disaster Response Teams can be deployed within 72 hours to deliver help at airports free of charge. After the earthquake in Haiti in January 2010, our regional DHL Disaster Response Team was in place just two days after the disaster struck. In September 2009, we set up operations at airports in three different locations in Asia following the tropical storms in the Philippines, the Samoan tsunami and the Indonesian earthquake. In November 2009, we provided logistics advice to the local authorities in El Salvador to set up relief operations logistics after Hurricane Ida.

Together with the United Nations Development Programme (UNDP), we operate the programme GARD (Get Airports Ready for Disaster) to prepare local authorities and airport staff for emergency situations. In the year under review, we successfully completed two pilot projects in Indonesia. Further training in high-risk areas of Asia and Latin America are to follow.

Since 2006, we have been supporting the United Nations Children's Fund (UNICEF) in relief projects in Peru, Kenya and India. Our partnership focuses on child survival with an emphasis on healthcare, early child development, diet and hygiene initiatives. By the end of 2009, Deutsche Post DHL had collected sufficient donations equalling funding of 50,000 vaccinations, protecting children against deadly and preventable diseases such as tetanus, diphtheria and polio.

GoTeach – championing education

Education is the third focus area of our commitment to society. With our GoTeach programme, we are striving for improved equality and fair opportunities in education. As founding partner of Teach First Deutschland in Germany, we are promoting the education of less privileged children and young people. Beyond this partnership, we want to strengthen and enhance our educational commitment all over the world.

Our company's performance as reflected by external assessments

In 2009, Deutsche Post DHL was honoured with the German Sustainability Award in the category of Most Sustainable Strategy. In addition, our performance in terms of sustainability was reviewed by qualified agencies. Sustainable management and visible attention to corporate responsibility are becoming more and more important as criteria for making investment decisions on financial markets as well. According to oekom Research AG, the volume of retail funds oriented towards sustainability in 2009 was €29 billion in Germany and even €53 billion in Europe. Sustainable Asset Management gave us a rating of 91 out of 100 points (previous year: 65 points). We scored the highest in the categories of environment, corporate citizenship, social reporting and occupational health and safety. The average score for transport and logistics companies

was 61 points. The FTSE4Good Index confirmed our company's membership. We are again listed in the Advanced Sustainability Performance Index Eurozone maintained by the French rating agency Vigeo and are also listed in the FTSE KLD Global Climate 100 Index along with other indices of the FTSE KLD index series. The Carbon Disclosure Project gave us a rating of 63 out of 100 points (previous year: 66 points).

Sustainability Report meets international guidelines

In our third Sustainability Report published in April 2009, we provided supplementary information on sustainability and performance indicators that are not included in the Group Management Report. The report was again prepared on the basis of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in conjunction with the GRI Sector Supplement for the Logistics and Transport Sector. Based on our own assessment as stipulated by GRI, the Sustainability Report achieved a GRI level of B+, i.e., it fulfils key requirements and provides information that has been verified by independent experts. Our next report – the Corporate Responsibility Report – will be published in the second quarter of 2010 and for the first time will only be available online in electronic form.

@ dp-dhl.com/en/investors.html

PROCUREMENT

Lower volumes

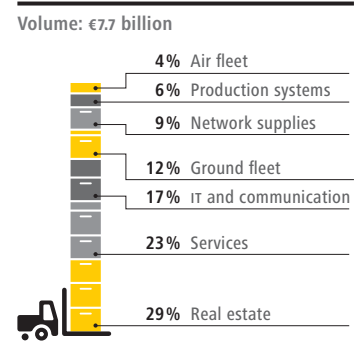
In 2009, the Group centrally purchased goods and services having a total value of approximately €7.7 billion (previous year: €9.0 billion). This figure does not include transport services, which the divisions generally procure themselves. Corporate Procurement is now increasingly involved in these purchases, however. Procurement expenditure has decreased in nearly all areas, with the exception of real estate due to the fact that the approximately 1,300 buildings sold to US investor Lone Star have been leased back.

Against the backdrop of the global recession, Procurement has intensified its efforts to reduce Group expenses even further. New guidelines for business trips and corporate hospitality have contributed to the success of these endeavours. As in previous years, we have bundled products and services and purchased all-inclusive packages from high-performance partners, thus obtaining better conditions both internationally and regionally.

We entered into a co-operation agreement with AT&T in the USA and in Puerto Rico for telephone and network services. The result is lower costs and improved service. In addition, we signed a five-year agreement with T-Systems aimed at enhancing communication between our international data centres. Both of these agreements are part of a global programme to increase efficiency in the area of telecommunications. Our savings should be more than €190 million over the next five years.

We also plan to combine certain facility management services – an approach that has been tested in Germany and Singapore. All types of services, from cleaning to security and maintenance, are being put out to tender and awarded in bundles. Pilot projects have shown that integrated facility management offers significant potential for cost savings.

A.64 Procurement expenses, 2009



Organisational enhancements

Procurement is a centralised function in the Group. The heads of Global Sourcing and their 16 category managers work closely with regional procurement managers and report to Corporate Procurement. This allows us to pool our needs worldwide whilst satisfying the service and quality requirements of internal customers.

In order to streamline our regional organisation, we merged North and South America into a single procurement region, thus reducing the number of procurement regions to five. Now the regional competence centres take more responsibility for strategic procurement and the relevant processes.

In the year under review, we opened the DHL Procurement Office China in Shanghai. This office follows the principle of best cost country sourcing, which aims for an optimum balance between cost, quality and risk. The new procurement office will work closely together with all regions to better meet our international requirements.

Our procurement success depends on the skills and calibre of our employees. We therefore continued our Fit4Procurement programme in the reporting year, which put us amongst the 10 best companies to be nominated for the international Talents in Supply Chain Management prize. This prize is awarded by the European Business School and the Supply Chain Management Institute, both private institutions.

Together with these two organisations, we bestowed the ProLog Award for procurement and logistics in 2009 for the third time. This award is given for scientific research with significant practical results. One of the research projects honoured was a study of the ecological aspects of procurement.

Green procurement

Our Green Team, made up of procurement managers from various regions and product groups, takes care of the environmental aspects of procurement. One of the achievements of the Green Team has been to introduce a globally standardised form that suppliers can use to furnish information on how well they meet environmental requirements. Entrenching ecological indicators into the strategic procurement process is also planned. Calculation of the total cost of ownership, for example, now also includes energy and carbon efficiency. This is intended to help us gauge the maturity of our procurement markets in terms of environmental friendliness so that if necessary, we can switch to more environmentally friendly procurement sources.

In many cases, environmental aspects are already being taken into account in procurement. We are one of Deutsche Bahn's first key accounts to use its new, climate-friendly *Umwelt Plus Ticket* (environment plus ticket) for all business trips. This means that 100% of the electricity used comes from renewable energy sources. The agreement with Deutsche Bahn was concluded with retroactive effect as of 1 January 2009. Therefore, the 74,319 tickets used in 2009 resulted in savings of around 2,134 tonnes of CO₂ emissions.

Another example is the new, eco-friendly mail sorting machines we purchased from Siemens AG. Siemens will deliver 288 sorting machines for standard and compact letters and up to 97 sorting systems for flats and maxi flats by 2012. The new sorting machines for standard and compact letters alone will reduce our CO₂ emissions by nearly 5,000 tonnes per year, and they also use 55% less energy.

Increased use of IT

During the reporting year, we increased our use of IT applications to enable more efficient procurement of goods and services. Previously, the GeT electronic ordering system was used mainly in Germany and the USA and to some extent in France, Mexico, Poland and Switzerland. Since 2009, this system has also been in use in Denmark, Finland, the Netherlands and Norway.

In addition, we have increased our use of eSourcing for procurement projects. eSourcing allows all major steps in the tender procedure to be performed electronically, including bidding auctions. This makes procurement processes more efficient and transparent for internal customers. It also makes it easier to track and analyse procurement markets.

RESEARCH AND DEVELOPMENT

As a service provider, the Group does not engage in research and development activities in the strict sense, and therefore has no significant expenses to report in this connection.

BRANDS

A.65 Brands and business units

Deutsche Post DHL					
Division	MAIL		EXPRESS	GLOBAL FORWARDING, FREIGHT	SUPPLY CHAIN
Brand	Deutsche Post	DHL	DHL	DHL	DHL
Brand area	<ul style="list-style-type: none"> • Mail Communication • Dialogue Marketing • Press Services • Philately • Pension Service 	<ul style="list-style-type: none"> • Global Mail • Parcel Germany 	<ul style="list-style-type: none"> • Express 	<ul style="list-style-type: none"> • Global Forwarding • Freight 	<ul style="list-style-type: none"> • Supply Chain
Sub-brand					<ul style="list-style-type: none"> • Williams Lea

The competitive edge

As a globally operating service company, well-managed brands are amongst the central elements of our strategy. In hotly contested markets, our brands contribute to the financial success of the Group. High brand recognition and a good reputation make us more attractive to shareholders, employees, customers and suppliers.

In the first half of 2009, we changed the name of the Group to Deutsche Post DHL as part of our Strategy 2015 and following the sale of Postbank. The new name underscores our strategy, which involves the two pillars of mail and logistics. Over the course of the year we repeatedly communicated our main customer promise: simplifying services and sustainable solutions.

→ Corporate strategy, page 25

Employees shape the brand experience

Brand manuals give detailed descriptions of how Deutsche Post and DHL are positioned and how our brands support our strategy. Of key importance to our brand image is how customers experience their interactions with our approximately 500,000 employees worldwide. In order to make a good impression, we have provided our employees who have direct customer contact with high-quality corporate clothing and given our vehicles and buildings as well as our promotional and informational materials a uniform and memorable design. We have also implemented internal measures aimed at motivating our entire staff to be active brand ambassadors at all times.

DHL employees have had a multilingual internet platform since 2008. We plan to make this state-of-the-art, interactive approach available to customers and prospective customers in 2010 under the name of DHL Brand World. Deutsche Post launched a motivational platform – the Deutsche Post Brand Fan Club – to strengthen brand awareness amongst the workforce. It conveys the main brand messages to them via sporting events, group activities and an interactive portal.

Steadily increasing value

Our brands face tough competition both domestically and internationally. Clear positioning and a lasting impression facilitate purchasing and investment decisions for existing and potential customers. Guided by market research, we invested some €70 million in the year under review (previous year: €80 million) in building our brands. Our print and online campaign for the DHL brand appeared in renowned international financial publications. Deutsche Post's domestic brand campaign focused on service quality. Along with online, print and poster themes, a survey was conducted of approximately 34 million households in Germany, who were invited to comment on the quality of Deutsche Post's services. In addition to traditional advertising, we enhance our brand image by sponsoring various events, appearing at trade fairs, conducting press relations and implementing measures to support sales.

Our success is measurable: in 2009, consulting firm Semion Brand Broker calculated a brand value of €12,614 million for Deutsche Post, putting us in sixth place in a ranking of the most valuable German brands. Factors analysed included financial value, brand protection, brand image and brand strength. DHL appeared in a list of the 100 most valuable brands for the first time in 2009. Market researcher Millward Brown computed a value of US\$9,719 million for the DHL brand, which put us in 68th place in the world rankings.

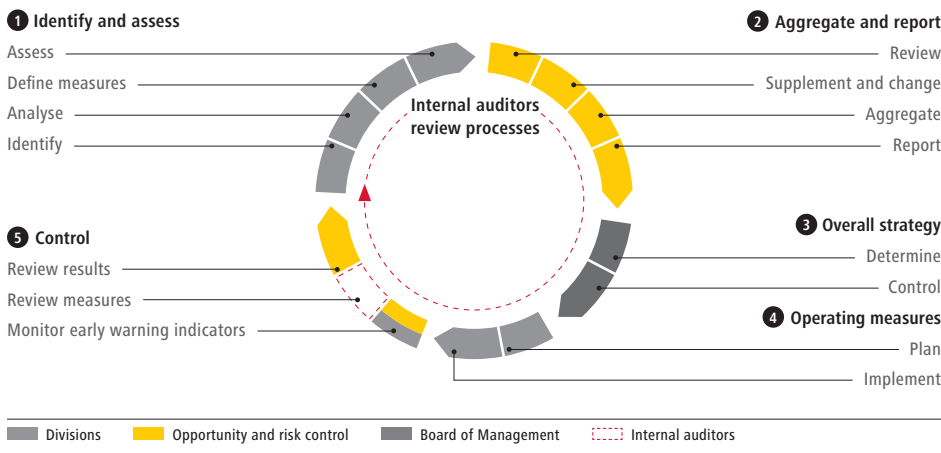
RISKS

OPPORTUNITY AND RISK MANAGEMENT

Risk control as a component of risk management

Opportunity and risk management is a key component of any successful business activity. Our aim is to identify both opportunities and risks at an early stage and to manage them such as to achieve a sustained increase in enterprise value. Our Group-wide opportunity and risk control system facilitates this. We systematically survey our managers all over the world to find out how they rate future scenarios, and we evaluate this information. An integrated approval process ensures that the results flow into management control processes and that opportunities and risks are systematically communicated.

A.66 Opportunity and risk management process



The most important steps in the process are as follows:

- 1 Identify and assess:** Opportunities and risks are defined as potential deviations from projected earnings. Managers in all divisions and regions provide an estimate of our opportunities and risks on a quarterly basis and document relevant actions. They use scenarios to assess best, expected and worst cases. Each risk is assigned to one or more managers, who assess it, monitor it, specify possible procedures going forward and then file a report. The same applies to opportunities. The results are compiled in a database.
- 2 Aggregate and report:** The competent control units collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, they are noted in our database and accounted for in the subsequent aggregation. After being approved by the department head, all results are passed on to the next level in the hierarchy. The aggregate and report step is complete when Corporate Controlling reports to the Group Board of Management on the significant opportunities and risks as well as any overall impact each division might experience.

- ③ **Overall strategy:** The Group Board of Management determines which fundamental opportunities and risks the divisions are exposed to and how these can be managed successfully. The reports made by Corporate Controlling provide a regular basis of information for the overall management of opportunities and risks.
- ④ **Operating measures:** As part of the strategy, the divisions determine the measures to be used to take advantage of opportunities and manage risks. They use cost-benefit analyses to assess whether opportunities should be taken and whether risks can be avoided, mitigated or transferred to third parties.
- ⑤ **Control:** For key opportunities and risks, early warning indicators have been defined that are monitored constantly by those responsible. Corporate Internal Audit is tasked with ensuring that the Board of Management's specifications are adhered to. It also reviews the quality of the entire opportunity and risk management operation. The control units regularly analyse all parts of the process as well as the reports from internal audit and the independent auditors with the goal of identifying potential for improvement, and they make adjustments where necessary.

Internal accounting control and risk management system (disclosures required under Section 315 (2) No. 5 of the *Handelsgesetzbuch* (HGB – German commercial code) and explanatory report)

Deutsche Post DHL uses an internal accounting control system to ensure that Group accounting adheres to generally accepted accounting principles. This system is intended to make sure that statutory provisions are complied with and that both internal and external accounting provide a valid depiction of business processes in figures. All figures are to be entered and processed accurately and completely. Accounting mistakes are to be avoided in principle and significant assessment errors uncovered promptly.


The control system design comprises organisational and technical measures that extend to all companies in the Group. Centrally standardised accounting guidelines govern the reconciliation of the single-entity financial statements and ensure that international financial reporting standards (IFRS) are applied in a uniform manner throughout the Group. All Group companies are required to use a standard chart of accounts. Often, accounting processes are pooled in a shared services centre in order to centralise and standardise them. The IFRS financial statements of the separate Group companies are recorded in a standard, SAP-based system and then processed at a central location where one-step consolidation is performed. Other components of our control system include automatic plausibility reviews and system validations of the accounting data. In addition, manual checks are carried out regularly at a de-central level by those responsible locally (i.e., a CFO) and at a central level by Corporate Accounting, Taxes and Treasury at the Corporate Center. Beyond the aforementioned internal accounting control system and risk management structures, Corporate Internal Audit is an essential component of the Group's controlling and monitoring system. Using risk-oriented auditing procedures, Corporate Internal Audit examines the processes related to financial reporting and reports its results to the Board of Management. Upstream and downstream checks and analyses of the reported data are performed under chronological aspects. If necessary, we call in outside experts, for instance, in the case of pension provisions. Finally, the Group's standardised process for preparing financial statements using a centrally administered financial statements calendar guarantees a structured and efficient accounting process.

RISK CATEGORIES AND SPECIFIC RISKS

The risks set out in the following are those which we presently consider to have a significant potential negative impact on our earnings, financial position and assets and liabilities. They are not necessarily the only risks to which the Group is exposed. Our business activities could also be adversely affected by risks of which we are currently unaware or which we do not yet consider to be material.

Risks arising from the political and regulatory environment

Risks associated with the general business environment primarily arise from the fact that both the Group and its subsidiaries provide some of their services in a regulated market. Our statutory exclusive licence was abolished in Germany on 1 January 2008. However, the Postgesetz (German postal act) has allowed exceptions enabling competitors to operate within the weight and price ceilings laid down in our exclusive licence from January 1998 onwards. By the end of the year, the regulatory authority (Bundesnetzagentur – German federal network agency) had issued licences to around 1,500 competitors, around 840 of which operate in the market.

 [Glossary, page 224](#)

On 7 November 2007, the regulatory authority announced a benchmark decision specifying the conditions that would apply from 2008 until the end of 2011 to regulation under the price-cap procedure for mail prices requiring approval. This stipulates the general rate of inflation and the expected productivity growth rate for Deutsche Post AG as the key factors applicable to mail prices subject to approval. Prices have to be lowered if the inflation rate in the reference period is less than the productivity growth rate specified by the regulatory authority. Mail prices requiring approval will remain largely unchanged in 2010. The regulatory authority accepted an application from Deutsche Post AG to this effect on 17 November 2009.

The third EU Postal Directive came into force on 27 February 2008. The Directive requires most EU member states to open up their markets by 2011, although the nine most recent members plus Greece and Luxembourg have the option to defer the opening of their markets until 2013. Until then, the previous limits continue to apply across the EU, with reservable services restricted to a maximum of 50g or two-and-a-half times the standard letter price. It is now possible to plan with certainty for the future regarding the date by which all national monopolies in Europe must fall.

Whilst liberalisation of postal markets entails risks for Deutsche Post AG due to increased competition in Germany, it also opens up new opportunities in other European postal markets. In 2009, cross-border mail in Europe between Deutsche Post AG and 13 other western European postal operators was governed by the REIMS III agreement and with another nine Eastern European postal companies by the REIMS EAST agreement. REIMS IV came into force on 1 January 2010 as the successor to these two agreements.

Discussions continue regarding the extent to which postal services should be exempt from value added tax (VAT). An amendment to the Umsatzsteuergesetz (German value added tax act) currently in preparation will reduce the VAT exemption for Deutsche Post AG. A bill to this effect was adopted by the German cabinet on 16 December 2009 and is set to become law on 1 July 2010. Under the new rules, the VAT exemption will only apply to specific universal services pursuant to the EU Postal Directive that are not subject to individually negotiated agreements or provided on special terms (discounts etc.). Any enterprise that offers some or all of these services nationwide in Germany will qualify for the VAT exemption.

The German legislative process will have to take account of the European Court of Justice (ECJ) decision of 23 April 2009 that pertained to the VAT exemption for postal services in the United Kingdom. Europe's highest court ruled conclusively that universal postal services, which a company undertakes to provide, must be exempt from value added tax even in a liberalised postal market. According to the ECJ, the only exceptions to this are services rendered under individually negotiated conditions. The German bill has yet to be passed by the *Bundestag* and *Bundesrat*.

Concurring with Deutsche Post AG, the regulatory authority considers that the prices it approved are net prices not including VAT. VAT could therefore be added to the approved prices. However, it cannot be ruled out that the application of VAT would lead to a decrease in revenue and earnings.

At the European level, the scope of the VAT exemption for postal services is also the subject of infringement proceedings initiated against the Federal Republic of Germany by the European Commission on 10 April 2006. The Commission announced in its decision at the proceedings on 24 July 2007 that the VAT exemption for postal universal services provided by Deutsche Post AG was too broad and called on the German government to amend the applicable law. Germany responded to the European Commission at the proceedings that it considered the current VAT exemption to be in compliance with applicable law and that it would subject the German legal provisions regarding value added tax on postal services to another detailed review. The infringement proceedings have not been pursued to date in view of the aforementioned proceedings before the ECJ pertaining to the VAT exemption for postal services in the United Kingdom.

German tax authorities have announced their intention to qualify a VAT-exempt mail product retroactively as subject to VAT. We assume that amended tax assessments will be re-issued for all open tax periods. The VAT exemption for postal services is based on European law (postal services directive, VAT directive) and national German law (*Postgesetz* (postal act), *Post-Universaldienstleistungsverordnung* (postal universal service ordinance), *Umsatzsteuergesetz* (value added tax act)). Based on these laws, Deutsche Post AG classifies its postal services either as VAT exempt or VAT liable. The German tax authorities have reviewed this assessment over the years and have not objected to it. We intend to take appropriate legal action against these amended tax assessments. Despite our view that the product's exemption complies with current European and German law, we cannot entirely exclude the possibility of additional tax payments.

Should the political or regulatory framework change, this could have considerable financial consequences for the Group, particularly with respect to the mail business in Germany. Since this is basically a political decision, we can make no reliable estimation as to the likelihood of occurrence.

Risks arising from industry-specific conditions

In addition to the regulatory environment, market and sector-specific conditions have a significant effect on the business performance of the Group.

The demand for logistics services depends greatly on the global economy. In the year under review, revenue fell substantially on the previous year as shipment volumes dropped in all divisions due to the economic crisis. If the economic situation does not improve, this could have a considerable impact on our projected earnings. On the other hand, an economic upswing beyond the anticipated level could result in our earnings exceeding expectations. Due to uncertainty regarding further developments and the end of the economic crisis, the probability of occurrence of risk or opportunity for our Group cannot be specified more precisely at the present time.

We are also exposed to risk as a result of customer insolvencies because the financial strength of our customers is a key factor in determining the success of our business activities. In the reporting year, the insolvency of Arcandor AG in Germany had a severe impact on consolidated earnings. We do not anticipate any additional risk of this magnitude based on the current outlook. Our goal is to identify critical developments amongst our customers at an early stage and to ensure that our cost structure is flexible enough to limit any potential financial consequences.

We offer our products and services in a competitive market. In the mail and logistics business, customers are gained and retained by offering quality at competitive prices. Thanks to our high quality and the savings generated in the year under review, we consider ourselves able to keep any potential risk to our projected earnings from competition at a fairly low level. As described above, a number of political and regulatory factors are additionally applicable to the MAIL division.

➔ Divisions, pages 48, 56, 62 and 68

Risks arising from corporate strategy

During the economic crisis, which endured the entire year under review, the Group focused greater attention on its core competencies and on organic growth. We want to grow profitably and improve our competitive standing through optimum integration of our divisions and processes.

In the past, the MAIL division made a substantial contribution to consolidated earnings. Now, however, the division can increasingly expect to see sales volume declines in its German mail business based on the general economic slowdown, increased competition and continuing substitution of physical communication with electronic communication. Our corporate planning takes into account declining revenues in the Mail Communication Business Unit in Germany. We regard the risk of a significant deviation from the projected figures as low. Moreover, we also see opportunities in digitalisation and are developing new electronic products for our mail business.

In the EXPRESS division, revenue dropped in all regions during the reporting year due to the recession. This effect was intensified by our exit from the domestic US express business. Network, price and administrative structures had to be adapted to these circumstances. In addition, we are selling unprofitable units in Europe. The restructuring of the express business, which has been underway since the end of 2008, is aimed at strengthening the EBIT margin in Europe. At present, we believe that the expenditures budgeted for restructuring will suffice. We are furthermore looking for new possibilities to increase revenues and earnings in economically attractive markets.

In the GLOBAL FORWARDING, FREIGHT division, we agreed on fixed transport rates with certain customers. Due to lower demand for transport services, freight carriers recently reduced transport capacities in order to keep prices high. When prices rise, margins shrink. Freight carriers additionally made a general price adjustment in the year under review. In this regard, we are subject to the risk that we will not be able to pass on higher prices to our customers in full. If and to what extent our profit margin is endangered depends to a great extent on how the world economy will fare. Both upward and downward deviations from projections are possible.

In the SUPPLY CHAIN division, we enjoy close, long-term business relationships with our customers. This leads to a certain dependency on the financial situation of our customers and the sector risks to which they are exposed. As mentioned above, the situation with Arcandor showed how seriously the insolvency of a major customer can impact our company financially, although we do not expect exposure on such a scale going forward. On the whole, we are optimistic that cost pressures will persuade companies to increasingly outsource key logistics processes and that we will be able to benefit from this, even in a time of crisis.

Risks arising from internal processes

Reliability and speed are key indicators of the quality of our logistics services. Quality can be compromised by any problems that may arise in our complex operating infrastructure with regard to posting and collection, sorting, transport, warehousing or delivery. We want to prevent interruptions in operations by taking preventive measures. These include a detailed emergency plan with fire prevention measures and backup operations in the event of malfunctions or damage. Moreover, since we render our services de-centrally in more than 200 countries, we regard the probability that the Group will experience significant downtime as low. Our insurance policies reduce potential financial impacts.

As early as 2005 we began formulating pandemic emergency plans and setting up an international crisis team. We want to minimise the risk of infection for our employees in the event of a pandemic and maintain our business operations.

Under our First Choice programme, we are rigorously aligning internal processes to customer needs. At the same time, we are also aiming to improve cost efficiency, which in some instances requires capital expenditure. Investment decisions on amounts in excess of €10 million are made by Board of Management committees. A lower threshold of €5 million applies to capital expenditure in Global Business Services and the Corporate Center. The Board of Management members are regularly informed of investment decisions so that they can identify significant risk early and take any necessary countermeasures.

As a service provider, we do not conduct research and development in the narrower sense. There are therefore no material risks to report in this area.

Risks arising from information technology

We have taken all the necessary steps to be able to effectively identify and counter IT risks. These risks are monitored across the Group by Risk Management, IT Audit, Data Protection and Corporate Security. The Information Security Committee provides for secure IT in the divisions. At a minimum, we aim to meet the ISO 27002 industrial safety standard.

Our logistics and service processes can only function smoothly if the necessary IT is available. Complete failure of one or more systems could cause a significant disruption to operational processes and lead to loss of data. For this reason we want to avoid malfunctions entirely.

We take the following measures to reduce the probability of IT risk materialising: we have two main data centres, in the Czech Republic and Malaysia. Additional processing capacity is provided by T-Systems, a service provider with which we have agreed on standards for outsourced services and which has likewise distributed its capacity amongst several data centres. In addition, we have established emergency procedures throughout the Group for business-critical applications.

We continuously improve our security mechanisms to protect against unauthorised access to, and manipulation of, data, and this includes mobile devices. Persons with access authorisation are required to encrypt critical data as a standard procedure and to change passwords every eighty to ninety days. Critical data are secured by means of back-ups, either on a case-by-case basis or in real time in several data centres depending on relevance.

Our services require the use of frequently updated and newly developed software. This involves not only a general cost risk in the case of complex IT systems in particular, but also the risk of development delays and functional deficiencies when putting the new software into operation. This risk is reduced by an efficient project management system spanning the entire process from software planning and design to implementation.

The precautions we take lower the probability of occurrence of IT risks having grave consequences. We are prepared to minimise the impact of any risk that does materialise such that customers are not, or only minimally, affected. However, an element of risk involving medium to high financial consequences cannot be fully ruled out.

Risks arising from environmental management

Our Group-wide risk management system also monitors environmental policy developments. For example, the EU has decided to introduce an emissions trading system for air traffic starting in 2012. The financial implications of this will depend heavily on the results of the EU surveys on emissions for the 2004–2006 base period. These data will determine the quantities of free emissions rights that will be allocated to the airlines we use and the extent to which we will have to purchase emissions rights at auction to meet our needs. In addition, it is not yet possible to estimate the prices at which emissions rights will trade on the market. However, we believe that the Group is well equipped to limit any financial risk thanks to our GoGreen programme. We find the risk of deviation from projections to be fairly low.

 Corporate responsibility, page 77

Risks arising from human resources

Our employees are critical to our future success. For this reason, we want to become the most popular employer in our sector. In general, there is the risk that we will not find the right employees for the right positions at the right time. Moreover, we have to compete for qualified international executives.

We monitor this risk using internal and external measurement parameters. US consulting firm Universum, for instance, regularly surveys 120,000 students in 26 countries to find out who the most popular employers are. DHL is the only logistics company to rank in the top fifty. Internally, we measure employee satisfaction on an annual basis in a survey of all Group employees. The survey findings indicate that the dedication of our employees has steadily improved over recent years. Given the fact that 2009 was a recession year, these findings were particularly encouraging.

We want to hire qualified employees, use them to their full potential and foster loyalty amongst them. Thus, vocational training in Germany will remain a key investment in the future for us, even in economically difficult times and especially in light of demographic change. With regard to employee motivation, managers who are familiar with the challenges of our sector and deal with their staff based on the principle of Respect and Results play an important role. We support our managers with a number of programmes, pay them fairly for their work, including providing performance-based incentives, and offer them career opportunities in their home countries and abroad. By doing this, we limit the risk of losing expertise and customer relationships to employee turnover.

Although we find the financial impact of these risks to be moderate, we see the probability of occurrence as low thanks to the measures we have implemented. This risk has declined from the previous years based on the economic situation alone.

Financial risks

On 14 January 2009, Deutsche Post AG and Deutsche Bank AG agreed to restructure the transaction to sell the shares in Deutsche Postbank AG held by Deutsche Post AG. The contract now comprises three tranches.

The first tranche provided for the sale of 50 million Postbank shares via contribution as a non-cash capital increase in return for 50 million new shares in Deutsche Bank AG and via the rendering of payments and non-cash benefits on the part of Deutsche Bank AG in connection with hedging transactions. Thereby any claim to payment of a purchase price for the shares was waived. The first tranche was carried out in the period from April to July 2009. Mechanisms designed to avoid possible market disturbances were applied to the sale of the Deutsche Bank shares.

As at 31 December 2009, Deutsche Post AG was still in possession of 86,417,432 Postbank shares. It will sell an additional 60 million Postbank shares in exchange for a mandatory exchangeable bond with a cash value at the time of closing of €2,568 million and a 4% accrued interest per year that will mature in three years (second tranche). The bond was underwritten by Deutsche Bank AG and will be exchanged for 60 million Postbank shares on 25 February 2012.

For the third tranche, Deutsche Post AG and Deutsche Bank AG have agreed on put and call options, which are in place for transferring the remaining 26,417,432 Postbank shares. The exercise periods are set between the third and fourth year after the closing on 25 February 2009. The derivatives agreed for the second and third tranches could lead to considerable volatility on the balance sheet. This risk is explained in greater detail in the [Notes](#), where you will also find information on other balance sheet and financial risks.

 Note 50

Risks from pending legal proceedings

Information on [legal risk](#) is provided in the Notes.

 Note 53

Other risks faced by the Group

Our insurance strategy separates insurable risks into two groups. The first group comprises risks with a high probability of occurrence and low individual cost. These risks are insured via what is known as a captive, an insurance company owned by the Group that is able to insure such risks at a lower cost than commercial insurers. The majority of our insurance expenditure is incurred for this risk group, which along with lower costs offers other advantages. Costs remain stable as the Group is less affected by changes in the availability and price of outside insurance. We receive reliable data on the basis of which we can analyse risk with a high probability of occurrence and low individual cost. We can then set minimum standards and targets for such risk. The second group consists of risks that have a low probability of occurrence but could entail high losses, such as air transport risks. These risks are transferred to commercial insurers.

We saved nearly €97 million in 2009 using this financing and insurance strategy. At the annual World Captive Forum, the Group received the Award of Excellence for its global captive insurance strategy.

Audits are currently underway at DHL Express (USA) and Airborne Inc. in line with the unclaimed property laws in the United States. Under these laws, unclaimed property must either be returned to its rightful owner or the home country of the most recent owner or, if this is not known, the country in which the company is domiciled. The probability of a significant financial impact on the Group is fairly low.

OVERALL ASSESSMENT OF THE GROUP'S RISK POSITION

At present, we see the main risk for our business performance in the economic and regulatory environment, particularly the future general economic trend and changed conditions on the German mail market. Based on the Group's early warning system and in the estimation of the Board of Management of the Group, in the past financial year there were no identifiable risks for the Group which, individually or collectively, cast doubt upon the Group's ability to continue as a going concern, nor are any such risks apparent in the foreseeable future.

FURTHER DEVELOPMENTS AND OUTLOOK

REPORT ON POST-BALANCE SHEET DATE EVENTS

No further significant events

There were no reportable events after the balance sheet date.

REPORT ON EXPECTED DEVELOPMENTS

Global economy emerging from the crisis

At the start of 2010, the global economy finds itself in a period of recovery. However, the rebound is still being bolstered by extremely expansive monetary policies with low interest rates and extensive government initiatives. For this reason, the upward trend cannot yet be said to be self-sustaining and it is possible that the economic recovery could soon lose momentum. Nevertheless, economic growth forecasts are cautiously optimistic. The International Monetary Fund (IMF) is predicting an increase of 3.9% in global economic output in 2010. Against this backdrop, global trade can be expected to see moderate expansion (IMF: 5.8%, OECD: 6.0%).

A.67 Global economy: growth forecasts

	2008	2009
%		
Global trade volume	-12.3	5.8
Real gross domestic product		
Global	-0.8	3.9
Industrial nations	-3.2	2.1
Emerging markets	2.1	6.0
Central and Eastern Europe	-4.3	2.0
Former cis countries	-7.5	3.8
Emerging markets in Asia	6.5	8.4
Middle East	2.2	4.5
Latin America and the Caribbean	-2.3	3.7
Africa	1.9	4.3

Source: International Monetary Fund (IMF) world economic outlook, October 2009, update January 2010.

In the United States, the economy should recover but private consumption is likely to remain weak. Forecasts call for solid GDP growth overall (IMF: 2.7%, OECD: 2.5%, Postbank Research: 2.3%).

The Japanese economy is expected to experience a sharp growth in exports as it benefits from the upswing in global trade. The country should again register solid GDP growth (IMF: 1.7%, OECD: 1.8%, Postbank Research: 2.0%). In China, growth will continue to accelerate but will not fully reach the record levels of past years (IMF: 10.0%).

The euro zone is thought to be on the road to recovery, with the economy stimulated by exports and gross fixed capital formation. However, the forces driving the economy could lose momentum if government economic initiatives are scaled back. Growth is forecasted to remain low (ECB: 0.8%, Postbank Research: 1.7%).

The export-based German economy is likely to benefit from the global upturn, with exports expected to increase sharply and investment in machinery and equipment expected to rise from their current low levels. Moreover, the full impact of the government infrastructure programme should be felt eventually. However, private consumption is not expected to provide stimulus given that unemployment will likely keep rising. GDP growth is projected to be higher than in the euro zone (The German Council of Economic Experts: 1.6%, Postbank Research: 2.2%).

It is unlikely that the price of oil will reach the lows of 2009 or the highs of 2008. We estimate that the average price of oil for the year will be higher than in 2009.

For the time being, it is expected that the US Federal Reserve will leave its key interest rate at the current extremely low level. Should the economy recover, interest rates could rise slightly starting this summer. The ECB will presumably leave its key interest rate at 1% for a longer period. Later in the year, it could tighten its monetary policy depending on the economic trend.

Capital market interest rates are likely to rise on the whole. However, yield spreads are expected to remain tight assuming that price stability remains high.

The mail business in transition

Demand for mail in Germany depends on the economic climate and the extent to which electronic media continue to take the place of the physical letter. We expect the market for mail communication to continue shrinking whilst demand for communication in general continues to rise. Our aim is to take advantage of our expertise in physical communications to offer competent electronic communications and generate new business. We have also prepared ourselves for continued, intense competition.

The German advertising market likewise takes its cue from the economy. According to forecasts by the *Zentralverband der deutschen Werbewirtschaft* (German Advertising Federation), the market will shrink in 2010. The trend towards targeted advertising and combinations with internet offers is likely to continue, with companies increasingly resorting to the more economical forms of advertising that we offer. We intend to consolidate our position in the liberalised market for paper-based advertising and to expand our share in the advertising market as a whole.

The press services market is likely to keep contracting slightly because of the increasing use of new media. The economic trend will affect subscriber numbers and average weights, thus impacting our future revenue.

The economic trend will also affect the international mail market. This is an area in which we want to tap into new business fields related to our core competency, mail.

In the parcel market, two trends will continue: in the business customer segment, pressure on traditional mail-order companies will persist with shipment volumes expected to drop, whilst the private customer segment will benefit from e-commerce, an area in which we intend to expand our position.

Developing our international express business

The international express market is expected to increase by 0.5% to 1.5% in 2010 (Datamonitor Consulting, August 2009). Over the medium term, experts are predicting slight growth of between 0.1% and 0.5% for Europe, and stronger growth of between 1.5% and 2.0% within Asia. In Europe and the United States, private demand is still quite slow, which in turn is depressing the export activities of Asian countries. On the whole, however, we are confident that we will be able to leverage market growth opportunities.

The same applies to our earnings performance. The savings realised in the reporting year together with a rigid focus on costs will make a crucial contribution to continued improvement in our earnings, even if market conditions remain difficult. In such case, our programmes for increasing efficiency and quality and streamlining our portfolio will kick in. We are the market leader, and we are well-prepared to defend this position and to strengthen it further.

Increasing sector focus in the freight forwarding business

Following the sharp drop in ocean and air freight volumes at the start of 2009, the market began recovering in the fourth quarter and we are gaining market share. In 2010, we expect the market to continue picking up slightly. Given that air and ocean freight capacity has been reduced considerably in recent months, we anticipate sharp increases in procurement and sales prices for transport services.

Based on economic fundamentals, we expect to see growth in intra-Asian traffic and on trade lanes between Asia, the Middle East and Africa as well as between Asia and Latin America. As the market leader, we will participate in this growth by investing in infrastructure and innovation.

During the economically challenging year of 2009, we convinced small and medium-sized businesses in particular of our competence as a reliable logistics service provider. This enabled us to keep the impact of the recession in check and gain market share. We intend to build on this success in the coming year and make our portfolio of transport products even more attractive to this target group as well as our other customers. We also plan to enhance our product offering for certain industry sectors in 2010, particularly for the fashion, oil and energy, perishable goods transport, pharmaceuticals and technology sectors.

Based on suggestions by customers, business partners and employees, we have introduced a uniform “scorecard” for our branches. Now all teams have direct access to information showing their contribution to the company’s overall performance as well as potential areas of improvement. We plan to implement this system in all branches of the Global Forwarding Business Unit by the end of 2010.

Continuing to improve Supply Chain performance

Consistent with leading economic research institutes, we are projecting a moderate upturn in global economic output for the coming year, driven by rising consumer spending and an improved investment climate. This should also result in a slight upward trend in the contract logistics market.

In our main markets of Europe and North America, we anticipate growth in the low single digits, whereas in the Asian and Latin American markets we think it is likely to be in the high single digits. We intend to foster business growth in all regions through targeted sales, marketing and communications initiatives.

However, the market for contract logistics is influenced by the economy as a whole, and should economic recovery be delayed, this would affect our business accordingly.

We will be continuing our successful 5 to Thrive programme to optimise our operations further. We are also holding workshops together with our customers, which have proven effective and are therefore being extended. We want to improve our services on an ongoing basis. This is our highest priority.

At the same time, we want to improve the success rate of our activities as well as the earnings power of our new business. Accordingly, we plan to reinforce the expertise, performance and proactive work ethic of our sales team.

In product development, our sector teams are working on joint services that will be even easier to standardise.

At Williams Lea, we expect the business to continue experiencing double-digit growth, driven by our unique product offering and by increasingly tapping into our broad DHL customer base.

Business development expectations

At the start of 2010, the moderate recovery trend seen in the second half of 2009 continued. For planning and budgeting purposes, we have figured in a modest recovery in overall trade volumes in 2010. However, uncertainty remains with regard to the extent and durability of this recovery.

Against this backdrop, we expect full-year consolidated EBIT before non-recurring items to reach €1.6 billion to €1.9 billion in 2010. The MAIL division is likely to make up around €1.0 billion to €1.2 billion of this. Compared with the previous year, we expect a strong improvement in earnings to between €1.0 billion and €1.1 billion in the DHL divisions. The Corporate Center/Other segment should come in just below the prior year with a loss of around €0.4 billion. Given that 2009 saw high non-recurring expenses for restructuring the express business, full-year 2010 is likely to see a solid improvement in consolidated EBIT.

We will maintain our conservative financial policy in 2010, raising our capital expenditure to approximately €1.4 billion after having reduced it in 2009 to just under €1.2 billion. Following our corporate strategy, we are focusing on organic growth. We anticipate only a few small acquisitions in 2010 as in the previous year. Planned restructuring measures taken in the previous year on the order of €1 billion will reduce operating cash flow in 2010. Consolidated net profit is expected to continue to improve in 2010 in line with our operating business.

Provided that the global economy continues to recover, the positive trend in our earnings that we are anticipating for 2010 is likely to continue into 2011. The cost reduction measures initiated in the MAIL division are expected to stabilise EBIT even if mail volumes continue to lose out to electronic means of communication. We expect EBIT to improve in the DHL divisions as volumes continue to recover.

Starting in 2010, the mark-to-market measurement now required in accordance with IFRS for all financial instruments associated with the Postbank transaction results in a positive – albeit non-cash – effect on net finance cost/net financial income. As the year progresses, this effect – as already in the previous year for some of these instruments – will be reviewed and, if necessary, adjusted at the end of each quarter based on the trend in Postbank's fair value.

Future organisational adjustments

In the EXPRESS division, we plan to start reorganising our central functions for the Europe region in 2010. We will also be combining our various climate protection activities into the Corporate Public Policy and Responsibility Department to allow us to operate even more efficiently in this key area.

Strong liquidity maintained and new finance strategy

Although our liquidity position will decline in 2010 due to restructuring expenditure, it will remain strong. The Group is currently developing a comprehensive finance strategy that will take account of our credit rating, gearing ratio and future liquidity, amongst other things.

We want to invest more

Since all forecasts are calling for cautious optimism, we have decided, contrary to our previous planning, to step up capital expenditure to approximately €1.4 billion in 2010. The majority of this will be allocated to property, plant and equipment and to the MAIL, EXPRESS and SUPPLY CHAIN division. In the named divisions more funds will be made available for property, plant and equipment and intangible assets.

Funds apportioned to the MAIL division will be considerably higher than in the previous year and will be earmarked predominantly for the domestic mail and parcel business. We want to continue the investments started in the year under review and equip additional mail centres with sorting machines for standard and compact letters. In addition, we plan to purchase equipment for processing flat mail more efficiently. We also want to set up an internet platform for sending letters, update our IT systems in the Parcel Germany Business Unit and continue restructuring our network of retail outlets.

In the EXPRESS division, capex will be higher than in the reporting year. In 2010, we will again concentrate on maintaining and modernising our aircraft fleet as prescribed by law. We also plan to inject funds into our hubs, gateways and terminals, including those in Leipzig and northern Asia. Capital expenditure will once again focus on the regions of Europe, the Americas and Asia Pacific.

In the GLOBAL FORWARDING, FREIGHT division, we plan to maintain capital expenditure at approximately the previous year's level. In the Global Forwarding Business Unit, we plan to put competence centres into operation, particularly for the pharmaceuticals industry, and invest in systems to improve the transparency of shipment processes. In the Freight Business Unit, we want to invest in our branch network, in IT and in transport equipment. These investments will focus primarily on Germany, Scandinavia and the Middle East.

In the SUPPLY CHAIN division, we plan to increase capital expenditure somewhat. The majority of investments will be made in the Supply Chain Business Unit, where we will be developing customised solutions for establishing and expanding business with new and existing customers in all sectors, with a focus on the United Kingdom and the Americas. In the Williams Lea Business Unit, we will invest primarily in Germany. We plan to implement customer-specific solutions in the printing services and document business.

We also intend to increase cross-divisional investments in 2010. As in the previous year, capital expenditure will focus on vehicles and IT. Moreover, we want to promote new environmental technologies as part of our GoGreen climate protection programme.

Increased electronic procurement

Over the coming year, we aim to increase our use of IT applications capable of making the procurement of goods and services more efficient. Our GeT electronic procurement system is to be extended to users in additional European countries. We also want to make greater use of e-sourcing in order to increase the efficiency and transparency of our procurement projects.

OPPORTUNITIES

Controlling processes support opportunity management

At Deutsche Post DHL, opportunity management is supported by the opportunity and risk controlling processes we have implemented throughout the Group. The way in which this process is organised is illustrated in the [Risk Report](#).

→ Page 83 f.

We see significant opportunities in continuing to develop our markets as well as in our strategic positioning. We want to expand our services, improve our processes and take greater advantage of internal synergies. We also want to devote more attention to meeting the needs of our customers whilst improving our cost structure. Our idea management programme is expected to provide additional stimulus.

Opportunities arising from market trends

In connection with our corporate strategy, we have outlined the four main factors that influence our business. These factors provide the following opportunities:

Globalisation means that the growth of the logistics industry will continue to outpace the growth of national economies. Since we operate all over the world, we will have the opportunity to share in this growth, especially in rapidly growing regions such as Asia, where we are better represented than our competition.

Outsourcing logistics services is becoming increasingly popular with companies, which are asking for integrated solutions at every link in the supply chain. As the global market leader in contract logistics, we are in a better position than most to benefit from this trend.

Online communication and e-business are creating demand for the transport of documents and goods. This results in growth opportunities for us.

Environmental awareness on the part of customers brings opportunities for additional, above-average growth. Our customers want to reduce their carbon emissions permanently, which is why they are increasingly requesting energy-efficient transport and climate-neutral products. We lead our sector in this area, having been the first logistics company to offer our customers carbon-neutral mail, parcel and express products plus air and ocean freight transport.

Opportunities arising from our strategic market positioning

We are positioned to take advantage of all types of growth, whether global, regional, cross-sector or industry specific. Moreover, a key component of our corporate strategy is our promise to offer customers services that will make their lives easier and have lasting value. The following Group-wide initiatives are aimed at securing our organic growth in the coming years:

Our First Choice programme is geared towards improving our processes and aligning our services even more closely than before to the needs of our customers.

We see an opportunity here to increase customer satisfaction and foster greater loyalty amongst them.

Our new DSI unit pools the innovative activities within DHL with an eye towards developing new solutions using existing sector expertise. Here, we see an opportunity to make better use of our resources.

Sector Management, which is also new, gives us the opportunity to meet specific customer demands better in certain sectors and thus create additional synergies.

Our employees – an important source of ideas

Our innovative capacity assures our success. A particularly rich source of ideas for new products and improved processes are our employees. Thanks to their input, we have achieved considerable cost savings in past years, and we intend to continue doing so in the future.

Opportunities in the divisions

In the MAIL division, we are continuously optimising the costs for our transport and delivery network and making cost structures more flexible, which allow us to respond faster to changes in volumes. In addition, starting in 2010 we will begin offering the letter on the internet – a binding, confidential and reliable form of written electronic communication. Our intention is to win the interest of key accounts, and we are certain that we will be able to launch this product successfully.

Our EXPRESS division is directing its attention to its high-yield core business now that the US business has been restructured. The division's portfolio will be further streamlined through planned sales of European parcel services. Strict cost controls support the financial targets we have set. We are therefore well equipped to improve our earnings situation, especially once the economic crisis has passed.

In the GLOBAL FORWARDING, FREIGHT division, we are continuing to improve our modular service portfolio by offering more flexible combinations and sustainable solutions for customers. We see this as an opportunity to raise productivity, increase customer satisfaction, strictly limit costs and kick off new sales activities.

Our SUPPLY CHAIN division will continue to benefit from companies' willingness to outsource logistics services given the cost pressures that still persist everywhere. We will use our resources and our expertise to keep growing profitably and to provide our customers with high-quality services. Williams Lea won new contracts in the year under review, which will not only sharpen its profile, but also attest to the capability of the business unit with regard to potential new customers and thus paves the way for gaining additional long-term outsourcing contracts with key clients.

This Annual Report contains forward-looking statements that relate to the business, financial performance and results of operations of Deutsche Post AG. Forward-looking statements are not historical facts and may be identified by words such as "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets" and similar expressions. As these statements are based on current plans, estimates and projections, they are subject to risks and uncertainties that could cause actual results to be materially different from the future development, performance or results expressly or implicitly assumed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as at the date of this presentation. Deutsche Post AG does not intend or assume any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Annual Report.

Ⓜ Any internet sites referred to in the Group Management Report do not form part of the report.