

# EARNINGS, FINANCIAL POSITION AND ASSETS AND LIABILITIES

## THE GROUP'S ECONOMIC POSITION

### Overall assessment by the Board of Management

Deutsche Post DHL turned in a solid performance in financial year 2009 given the global economic crisis. Although transported volumes were significantly down on the prior-year level, we were able to cushion the decrease in EBIT before non-recurring items. In fact, at approximately €1.5 billion, we even slightly exceeded our forecast, which was increased to at least €1.35 billion during the course of the year.

We have taken appropriate measures to survive the crisis and emerge from it even stronger: we have saved more than €1 billion in indirect costs with our IndEx programme. We have restructured the express business, which will continue to have a positive influence on our profitability going forward. The sale of Postbank has consolidated our financial position. Rating agencies gave us a positive short-term credit rating, thanks not least to net liquidity of €1.7 billion at the end of the year. We have significantly cut investments and focused on organic growth.

### A.17 Selected key indicators for results of operations (continuing operations)

		2008 adjusted	2009
Revenue	€m	54,474	46,201
Profit from operating activities (EBIT) before non-recurring items	€m	2,011	1,473
Profit/loss from operating activities (EBIT)	€m	-966	231
Return on sales <sup>1)</sup>	%	-1.8	0.5
Consolidated net profit/loss for the period <sup>2)</sup>	€m	-1,688	644
Earnings per share <sup>3)</sup>	€	-1.40	0.53
Dividend per share	€	0.60	0.60 <sup>4)</sup>

1) EBIT/revenue. 2) Excluding minorities, including Postbank. 3) Including Postbank. 4) Proposal.

## SIGNIFICANT EVENTS

### Transaction for the sale of Postbank shares completed

The transaction for the sale of Postbank shares to Deutsche Bank agreed in January was completed on 25 February 2009 as planned. Deutsche Bank received a 22.9% interest in Postbank from Deutsche Post DHL in return for 50 million Deutsche Bank shares from a capital increase (first tranche). By July 2009, Deutsche Post DHL sold all of its shares in Deutsche Bank AG on the market, as planned, taking a key step towards becoming a pure-play mail and logistics group. The Group generated around €100 million more than anticipated from the sale of the 50 million Deutsche Bank shares. Deutsche Post DHL now no longer holds any shares in Deutsche Bank. The first tranche affected earnings in 2009 by €571 million; this amount is contained in profit from discontinued operations and in net financial income.

An additional interest of 27.4% will be transferred to Deutsche Bank after three years when a mandatory exchangeable bond on Postbank shares becomes due (second tranche).

In a third tranche, Deutsche Post DHL and Deutsche Bank agreed on options for the sale/purchase of a further 12.1% of Postbank's shares. These options cannot be exercised until February 2012. Net financial income includes income of €647 million that reflects the performance of the options on the market.

So far, Deutsche Post DHL has received a total of around €5 billion from the sale of its interest in Postbank.

#### Insolvency proceedings opened for Karstadt and Quelle

Insolvency proceedings for Arcandor subsidiaries Karstadt Warenhaus GmbH and Quelle GmbH, two of Deutsche Post DHL's key customers in Germany, were opened on 1 September 2009. Quelle GmbH has since been liquidated. These insolvency proceedings impacted earnings by a total of €-247 million in our financial statements for the period ended 31 December 2009.

## EARNINGS

#### Changes in reporting and portfolio

We reported Postbank's activities as discontinued operations until it was sold at the end of February 2009. We report our other business activities as continuing operations.

Consistent with international practice and to improve the clarity of presentation, we no longer report the return on plan assets in connection with pension obligations as part of EBIT but under net finance costs/net financial income. In order to increase the transparency of financial assets and liabilities in accordance with IAS 39, we have revised our chart of accounts and changed the financial statement presentation. The prior-year amounts have been adjusted accordingly.

In the reporting year, the main changes to our portfolio were as follows:

- Effective 6 February 2009, we increased our stake in Selekt Mail Nederland c. v., a Dutch company, from 51% to 100%.
- We sold the French company DHL Global Mail Services SAS in June.
- In July, DHL Sinotrans International Air Courier Ltd. – of which we hold a 51% share – acquired Shanghai Quanyi Express Co. Ltd. The company has been fully consolidated since then.
- At the end of December, we sold DHL Container Logistics UK Ltd.

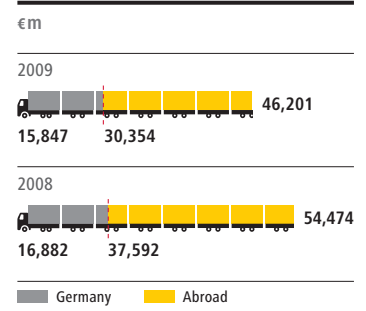
Due to the deconsolidation of Postbank, which is now accounted for using the equity method, we no longer prepare additional consolidated financial statements including the Deutsche Postbank Group on an equity-accounted basis.

#### Decline in consolidated revenue from continuing operations

Consolidated revenue from continuing operations in financial year 2009 fell 15.2% to €46,201 million (previous year: €54,474 million). Negative currency effects of €675 million contributed to this decline. Following our exit from the domestic US express business, the share of revenue generated abroad fell from 69.0% to 65.7%.

→ Note 2

A.18 Consolidated revenue for continuing operations



### Lower income and expense

Non-recurring expenses of €495 million were incurred for restructuring activities in the US express business (previous year: €2,117 million). Additional restructuring costs of €747 million (previous year: €440 million) impacted earnings in financial year 2009. In the previous year, additional non-recurring expenses of €610 million were incurred for an impairment loss on goodwill for Supply Chain and of €382 million for a write-down on the Exel brand.

In 2008, the repayment received in the EU state aid proceedings generated non-recurring income of €572 million. It is primarily for this reason that other operating income fell by €595 million to €2,141 million.

The lower sales volume in conjunction with lower oil prices led to a fall of €6,205 million in materials expenses to €25,774 million.

Staff costs fell by €1,368 million to €17,021 million, due mainly to our withdrawal from the US domestic express market.

At €1,620 million, depreciation, amortisation and impairment losses were down 39.1% on the prior-year figure (€2,662 million). The year under review was impacted in particular by the restructuring of the US express business and the insolvency of Arcandor. In 2008, write-downs on the goodwill of Supply Chain and the Exel brand in particular had increased depreciation, amortisation and impairment losses.

Thanks to our cost reduction programme, we cut other operating expenses from €5,146 million in the previous year to €3,696 million. Travel and consulting costs in particular were reduced considerably.

→ Note 12

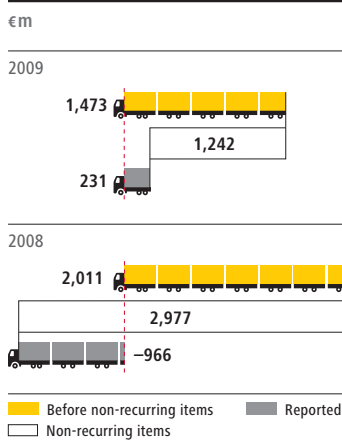
→ Note 13

→ Note 14

→ Note 15

→ Note 16

#### A.19 Consolidated EBIT for continuing operations



### Arcandor insolvency impacts earnings

Profit from operating activities (EBIT) from continuing operations rose by €1,197 million to €231 million, year-on-year. In the previous year, this item contained income of €572 million from the state aid proceedings, restructuring costs of €2,557 million and impairment losses of €992 million. In the reporting period, the above-mentioned restructuring costs impacted earnings by €1,242 million. Adjusted for these non-recurring items, EBIT fell by 26.8% to €1,473 million.

The insolvency of Arcandor impacted earnings for the reporting period by a total expense of €247 million. EBIT before non-recurring items has not been adjusted for this charge.

Measurement of derivatives relating to the sale of Postbank had a positive effect on net financial income, which amounted to €45 million – up €145 million from the net finance costs of €100 million recorded previously. The prior-year figure included the interest component of the state aid repayment.

Net financial income also contains a €19 million gain from the measurement of Postbank on an equity-accounted basis. Postbank has informed us that as a result of a random sampling examination conducted by *Deutsche Prüfstelle für Rechnungslegung e.V.* a correction has been made to its prior-year financial statements which has, in turn, had an effect on the reporting year. Deutsche Post DHL considers this error insignificant and has accounted for it in the gain from the measurement of Postbank on an equity-accounted basis for financial year 2009. Net financial income has been reduced by €25 million as a result.

The profit from continuing operations before income taxes improved to €276 million (previous year: loss of €1,066 million).

By contrast, income taxes fell from €200 million to €15 million. All in all, profit from continuing operations amounted to €261 million, a rise of €1,527 million on the previous year.

### Profit from discontinued operations includes deconsolidation gain

Profit from discontinued operations rose by €1,145 million year-on-year to €432 million. This figure includes the net loss generated by Postbank in the first two months of 2009 and the deconsolidation effect of €444 million. Details are presented in the [Notes](#).

### Consolidated net profit for the period up sharply

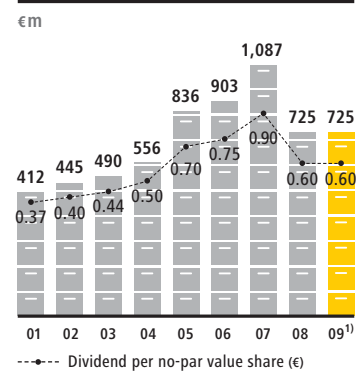
The combined profit from continuing and discontinued operations resulted in a consolidated net profit for the period of €693 million (previous year: loss of €1,979 million). Of this amount, €644 million is attributable to Deutsche Post shareholders and €49 million to minorities. Both basic and diluted earnings per share rose from €-1.40 to €0.53. Earnings per share for continuing operations amounted to €0.17, whilst earnings per share for discontinued operations were €0.36.

### Dividend of €0.60 per share proposed

At the Annual General Meeting on 28 April 2010, the Board of Management and the Supervisory Board will propose the payment of a dividend per share of €0.60 for financial year 2009 (previous year: €0.60). The distribution ratio based on the consolidated net profit attributable to Deutsche Post AG shareholders amounts to 112.6%. The net dividend yield based on the year-end closing price of our shares is 4.4%. The dividend will be distributed on 29 April 2010 and is tax-free for shareholders resident in Germany.

→ Note 21

A.20 Total dividend and dividend per no-par value share



1) Proposal.

## FINANCIAL POSITION

### Principles and aims of financial management

The Group's financial management activities include cash and liquidity management; the hedging of interest rate, currency and commodity price risk; Group finance; issuing guarantees and letters of comfort and liaising with the rating agencies. We manage processes centrally, allowing us to work efficiently and successfully manage risks.

Responsibility for activities rests with Corporate Finance at Group headquarters, which is supported by three Regional Treasury Centres in Bonn (Germany), Fort Lauderdale (USA) and Singapore. These centres act as interfaces between headquarters and the operating companies, advise the companies on all financial management issues, and ensure compliance with the Group-wide requirements. These guidelines and processes comply with the *Gesetz zur Kontrolle und Transparenz im Unternehmensbereich* (KonTraG – German law on control and transparency in business) of 27 April 1998.

Corporate Finance's main task is to minimise financial risks and the cost of capital, whilst preserving the Group's lasting financial stability and flexibility. In order to maintain its unrestricted access to the capital markets, the Group continues to aim for a credit rating appropriate to the sector. We therefore monitor the ratio of our operating cash flow to our adjusted debt particularly closely. Adjusted debt refers to the Group's net debt, allowing for unfunded pension obligations and liabilities under operating leases.

### **Central cash and liquidity management**

Corporate Treasury is responsible for central cash and liquidity management for our subsidiaries, whose operations span the globe. More than 80% of the Group's external revenue is consolidated in cash pools and used to balance internal liquidity needs. In countries where this practice is ruled out for legal reasons, internal and external borrowing and investment are arranged centrally by Corporate Treasury. In this context, we observe a balanced banking policy in order to remain independent of individual banks. Our subsidiaries' intragroup revenue is also pooled and managed by our in-house bank in order to avoid external bank charges and margins (intercompany clearing). Payment transactions are executed in accordance with uniform guidelines using standardised processes and IT systems.

### **Managing market risk**

The Group uses both primary and derivative financial instruments in order to limit market risk. Interest rate risk is managed exclusively via swaps. Currency risks are hedged using forward transactions, cross-currency swaps and options in addition. We largely pass on the risk arising from commodity fluctuations to our customers and manage the remaining risk using commodity swaps. The framework, responsibilities and controls governing the use of derivatives are laid down in internal guidelines.

### **Flexible and stable financing**

The Group covers its long-term financing requirements by maintaining a balanced ratio of equity to liabilities. This ensures our financial stability whilst providing adequate flexibility. Our most important source of funds is net cash from operating activities. We cover our borrowing requirements using a number of independent financing sources, including confirmed bilateral credit lines, bonds and structured financing transactions, and operating leases. Most debt is taken out centrally in order to leverage economies of scale and specialisation benefits and hence to minimise the cost of capital.

The Group has total unsecured committed credit lines of €2.7 billion, of which only €0.2 billion had been drawn down as at 31 December 2009. As part of our banking policy, we ensure we spread the volumes widely and maintain long-term business relationships with financial institutions. Alongside the customary equal treatment clauses and termination rights, the relevant loan agreements do not contain any further covenants concerning the Group's financial indicators. On average, only around 7% of credit lines were drawn down in 2009 (previous year: 17%).

### **Guarantees and letters of comfort**

Deutsche Post AG provides security for the loan agreements, leases and supplier contracts entered into by Group companies, associates or joint ventures as necessary by issuing letters of comfort, sureties or guarantees. This practice allows better conditions to be negotiated locally. The sureties are provided and monitored centrally.

### Creditworthiness of the Group

Credit ratings represent an independent and current assessment of a company's credit standing. The ratings are based on a quantitative analysis and measurement of the annual report and appropriate planning data. Qualitative factors, such as industry-specific features and the company's market position and range of products and services, are also taken into account. The creditworthiness of our Group is reviewed on an ongoing basis by the rating agencies Standard & Poor's and Moody's Investors Service.

Standard & Poor's has issued a long-term credit rating of BBB+ for our Group's ability to meet its financial commitments, which it regards as appropriate. Moody's gave us a similar rating. This means that Deutsche Post DHL is well positioned in the transport and logistics sector. The following table shows the current ratings and rating factors. The complete analyses by the rating agencies and the rating categories are to be found on our website.

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

#### A.21 Rating agencies' ratings

##### Standard & Poor's (2 July 2009)<sup>1)</sup>

Long-term: BBB+  
Short-term: A-2  
Outlook: negative

##### Rating factors

- Global network, with leading market positions in international European and Asian express delivery services
- Dominant position in the German mail market supports Group cash flow generation
- Global number one integrated logistics provider
- Significant disposal proceeds to fund restructuring and provide liquidity

##### Rating factors

- Regulatory risk and structural volume decline in the mail business
- Below-par profitability of businesses outside domestic mail operations
- Significant restructuring commitments at us Express
- Vulnerability to trading volume declines given high level of operational gearing to support global network

##### Moody's Investors Service (26 June 2009)<sup>1)</sup>

Long-term: Baa1  
Short-term: P-2  
Outlook: stable

##### Rating factors

- Global presence and scale as Europe's largest logistics company
- Large and relatively robust mail business
- Plan to increase profitability while reducing capital intensity as outlined in the Roadmap to Value capital markets programme
- Sale of Postbank provides cash liquidity and a buffer for the cash outflow associated with the restructuring of us Express

##### Rating factors

- High fixed cost base depresses the operating margin in case of falling business volume in the mail and express business
- Competition in fully liberalised German market for postal services is gradually eroding Deutsche Post's market share
- Deutsche Post's partial VAT exemption is currently being reviewed by the German government and the EU
- Strategic and operational prospects for a downsized us express business in view of the value of the operation for the global network

<sup>1)</sup> Most recent report.

### Liquidity and sources of funds

As at the balance sheet date, the Group had cash and cash equivalents in the amount of €3.1 billion (previous year: €1.4 billion) at its disposal. A large portion of this is accounted for by Deutsche Post AG. Most of the cash and cash equivalents are invested centrally on the money market. Such short-term money-market investments amounted to €1.9 billion as at the reporting date. These are supplemented by investment funds of €1.6 billion that are callable at sight and are reported as current financial assets in the balance sheet.

Net cash from the sale of Postbank in the reporting period amounted to around €5 billion. On the other hand, extraordinary cash outflows of €1.4 billion was incurred for restructuring of the US express segment in particular, and for the early repayment of a municipal bond, which had been issued to finance investments in Cincinnati Airport (€0.1 billion).

→ Note 46

The financial liabilities reported in our balance sheet can be broken down as follows:

#### A.22 Financial liabilities

€m		
	2008	2009
Bonds	2,019	1,870
Due to banks	1,080	577
Finance lease liabilities	531	269
Liabilities to Group companies	184	126
Liabilities at fair value through profit or loss	652	141
Other financial liabilities	408	4,456
	<b>4,874</b>	<b>7,439</b>

The largest single items are Deutsche Post Finance B.V.'s two listed bonds. Also of significance are the municipal bond issued to fund investments at the airport in Wilmington, Delaware (US), and the project finance received from the European Investment Bank for mail sorting centres in Germany and an IT centre in the Czech Republic.

Other financial liabilities mainly comprise the sale of Deutsche Postbank AG shares in the form of a mandatory exchangeable bond, cash collateral and a hedging liability. Further information on the reported financial liabilities is contained in the Notes.

→ Note 46

Operating leases are an important source of funding for the Group. We use operating leases to finance real estate as well as aircraft, vehicle fleets and IT equipment.

#### A.23 Operating lease obligations by asset class

€m		
	2008	2009
Land and buildings	6,452	5,359
Technical equipment and machinery	68	106
Other equipment, office and operating equipment, transport equipment, other	560	416
Aircraft	194	312
	<b>7,274</b>	<b>6,193</b>

Operating leasing obligations fell significantly to €6.2 billion in 2009 (continuing operations in the previous year: €7.1 billion). This was mainly because the US express business was substantially reduced, but also because capital requirements were lower overall. These effects were partially offset by an increase in the aircraft item as a result of AeroLogic GmbH's fleet expansion.

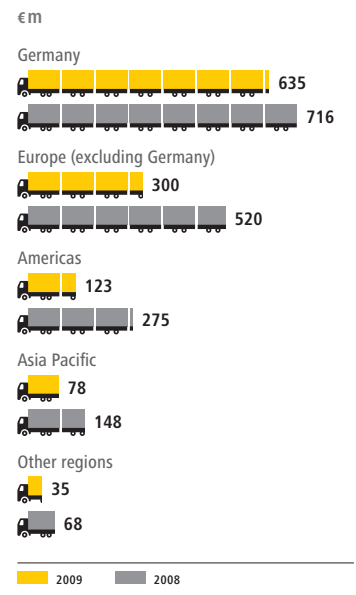
### Investments on target

The Group's capital expenditure (capex) amounted to €1,171 million in total at the end of December 2009 (previous year: €1,727 million), down slightly on the budgeted figure of approximately €1,200 million. We used these funds to improve productivity and quality. We acquired assets with which we process customer orders and maintain our network's performance, with the focus being on replacement investments.

In line with the economic situation, we spent 32.2% less year-on-year, and 25.2% less in the fourth quarter. The EXPRESS and SUPPLY CHAIN divisions in particular contributed to this significant decline. We used the funds mainly to replace and expand the following assets: €930 million was invested in property, plant and equipment and €241 million in intangible assets excluding goodwill. Investments in property, plant and equipment related mainly to advance payments and assets under development (€207 million), technical equipment and machinery (€182 million), IT equipment (€132 million), transport equipment (€128 million), aircraft (€110 million) and other operating and office equipment (€98 million). Investments in intangible assets related to internally generated and purchased software (€166 million) and advance payments and intangible assets under development (€59 million).

We invested primarily in Europe, the Americas and Asia. Our investment activities in Europe were focused on Germany, Belgium and the UK. In Asia we concentrated on India, Malaysia and China.

### A.24 Investments by region



### A.25 Capex and depreciation, full year

€ m	MAIL		EXPRESS		FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Consolidation		Continuing operations	
	2008	2009	2008	2009	2008	2009	2008 <sup>1)</sup>	2009	2008	2009	2008	2009	2008	2009
Capex	282	329	727	380	94	82	390	204	234	176	0	0	1,727	1,171
Depreciation on assets	346	321	542	489	105	108	1,343	403	326	299	0	0	2,662	1,620
Capex-to-depreciation ratio	0.82	1.02	1.34	0.78	0.90	0.76	0.29	0.51	0.72	0.59	0	0	0.65	0.72

<sup>1)</sup> Depreciation including write-downs on goodwill and the Exel brand.

### A.26 Capex and depreciation, Q4

€ m	MAIL		EXPRESS		FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Consolidation		Continuing operations	
	2008	2009	2008	2009	2008	2009	2008 <sup>1)</sup>	2009	2008	2009	2008	2009	2008	2009
Capex	113	129	195	99	29	32	104	64	74	61	0	0	515	385
Depreciation on assets	93	76	208	170	30	28	1,101	92	130	83	0	0	1,562	449
Capex-to-depreciation ratio	1.22	1.70	0.94	0.58	0.97	1.14	0.09	0.70	0.57	0.73	0	0	0.33	0.86

<sup>1)</sup> Depreciation including write-downs on goodwill and the Exel brand.

#### **MAIL invests in the future**

Capital expenditure in the MAIL division in the reporting period rose from €282 million to €329 million. These investments related in particular to technical equipment and machinery (€92 million), internally generated intangible assets (€76 million), other operating and office equipment (€73 million) and IT equipment (€55 million).

In the domestic mail business, investments focused on replacing technical equipment and machinery, IT, and other operating and office equipment. We purchased mail sorting machines for the mail centres in Germany that enable standard and compact letters to be processed more efficiently. We also replaced transport equipment.

In the domestic parcel business, the main investment areas were other operating and office equipment, technical equipment and IT. In the reporting period, we increased the number of Packstations by more than 1,000 to around 2,500.

With regard to retail outlets, we modernised the IT infrastructure, improved the software used at the counters and restructured the network.

Investments in the international mail business were down substantially and focused on replacement property, plant and equipment.

#### **EXPRESS consolidates global network**

We significantly reduced investments in the EXPRESS division in the reporting period to €380 million (previous year: €727 million), in line with the economic situation. Investments in property, plant and equipment focused on aircraft (€110 million), advance payments and assets under development (€100 million), technical equipment and machinery (€46 million), leasehold improvements (€26 million) and IT equipment (€16 million).

Investments in intangible assets related mainly to advance payments and intangible assets under development (€38 million) as well as software (€19 million). We maintained our worldwide network of aircraft and our vehicle fleet and established and expanded hubs and terminals.

In regional terms, we focused on Europe, the Americas and the Asia Pacific region. In Europe, we equipped terminals in Benelux, Scandinavia and the UK in particular. In the Americas, we replaced technical equipment and IT primarily as part of the restructuring of the US express business. In the Asia Pacific region, we invested in our network, terminals, gateways and office buildings.

#### **Modern infrastructure for the forwarding and freight business**

A total of €82 million was invested in the GLOBAL FORWARDING, FREIGHT division (previous year: €94 million). Of this figure, €58 million was attributable to the Global Forwarding Business Unit. Investments were made mainly in intangible assets (€20 million), leasehold improvements (€10 million), IT equipment (€10 million), advance payments and property, plant and equipment under development (€6 million), and other operating and office equipment (€5 million). This laid the foundation for a modern IT infrastructure, simplified processes and equipped buildings. In regional terms, we focused on the Asia Pacific region, the Americas and Europe.

Funds of €24 million were invested in the Freight Business Unit, where they were used primarily for terminal expansion and state-of-the-art IT. In regional terms, we focused on Germany, Scandinavia and the Benelux countries.

### Consolidation in contract logistics

At €204 million, investments in the SUPPLY CHAIN division were down significantly on the previous year's level (€390 million). Of this figure, €183 million was attributable to the Supply Chain Business Unit. We invested primarily in projects with new and existing customers in order to establish and expand long-term customer relationships. Approximately 45% of capital expenditure was invested in new business.

In the United Kingdom, we directed capital expenditure towards cross-sector warehouse solutions and related equipment for new and existing customers, as well as in transport equipment. In the Americas region, we invested in technical equipment and machinery, which will benefit our new customers in the consumer, retail, energy and automotive sectors. We also modernised warehouses for existing customers in all sectors. Capital expenditure was reduced most heavily in Continental Europe. The funds were primarily used to equip warehouses for new customers and to purchase associated IT equipment.

In the Williams Lea Business Unit (total expenditure: €21 million) state-of-the-art printing technology, amongst other things, was purchased, mainly for Germany.

### Further decline in cross-divisional investments

Cross-divisional investments also continued to decline, from €234 million in the previous year to €176 million. Most of the expenses were incurred for the purchase of vehicles and for IT. The decline in investment volume was mainly due to fewer vehicles being purchased. Deutsche Post Fleet GmbH invested €103 million in new and replacement vehicles (previous year: €160 million). Funds amounting to €58 million (previous year: €41 million) were invested in IT. This increase was mainly the result of restructuring.

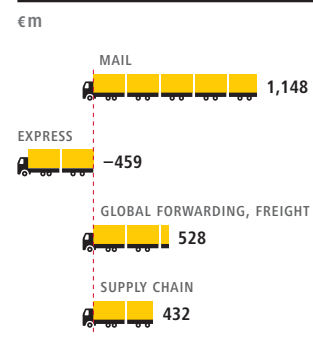
### Cash flow statement for continuing operations

Net cash from operating activities fell by €2,118 million year-on-year to €1,244 million. This is mainly the result of the utilisation of provisions, primarily due to the restructuring of the US express business. For this reason, net cash from operating activities before changes in working capital was down significantly on the prior-year figure (€2,714 million), at €763 million. The reduction in working capital also led to an increase in net cash from operating activities. In particular, the decline in receivables and other current assets contributed to the improvement. All in all, the net cash from working capital is down €167 million year-on-year.

#### A.28 Selected cash flow indicators (continuing operations)

€m	2008	2009
Cash and cash equivalents as at 31 December	1,350	3,064
Change in cash and cash equivalents	62	1,456
Net cash from operating activities	3,362	1,244
Net cash used in investing activities	-914	-1,469
Net cash used in/from financing activities	-2,386	1,681

#### A.27 Operating cash flow by division, 2009



At €1,469 million, net cash used in investing activities was up significantly year-on-year (2008: €914 million). This was mainly due to the sale of properties in 2008 leading to a €942 million inflow of funds; in addition, we received interest of €495 million on the repayment of EU state aid. In contrast, cash paid to acquire non-current assets fell sharply by €1,713 million to €1,456 million. Amongst other things, we modernised mail centres and IT and maintained our global network of aircraft. In the previous year, a significant amount of funds was invested in establishing the European and Asian air hubs in particular and we also participated in Postbank's capital increase. The change in current financial assets led to a net cash outflow of €659 million. The sale of the Deutsche Bank shares resulted in a cash inflow which was invested in capital market instruments. Cash paid to acquire subsidiaries and other business units fell sharply from €1,417 million in the previous year to €53 million.

Taken together, net cash used in operating activities and net cash used in investing activities resulted in a negative free cash flow of €225 million. In the previous year, the free cash flow was clearly positive, at €2,448 million.

Financing activities in the reporting year resulted in cash inflows of €1,681 million. This increase was largely due to Deutsche Bank's subscription of the mandatory exchangeable bond in connection with the sale of Postbank and to payment of the collateral for the put option for the remaining Postbank shares. The dividend payment to our shareholders was the largest payment in this area (€725 million). The decline in current financial liabilities was reflected in lower interest payments, which fell €143 million to €291 million. Net cash used in financing activities in the previous year amounted to €2,386 million.

Cash and cash equivalents rose from €1,350 million to €3,064 million year-on-year due to the changes in the individual areas of continuing operations and discontinued operations.

## ASSETS AND LIABILITIES

### Group's total assets drop due to Postbank sale

The deconsolidation of Postbank led to a sharp reduction in the Group's total assets as at 31 December 2009. At €34,738 million, these were down €228,226 million on the figure as at 31 December 2008.

Non-current assets increased from €20,517 million to €22,022 million, primarily because of the €1,711 million rise in investments in associates. Following the deconsolidation, this item contains the remaining shares in Postbank. Specifically, the put options received as part of the Postbank sale increased other non-current financial assets from €718 million to €1,448 million. Other non-current assets declined slightly by €22 million to €348 million. Property, plant and equipment fell from €6,676 million to €6,220 million mainly, as a result of depreciation, amortisation and impairment losses and write-downs. Deferred tax assets also decreased by €365 million to €668 million.

The significant decline in current assets (from €242,447 million to €12,716 million) is primarily due to the Postbank sale: following its deconsolidation, all Postbank assets were recognised as disposals, thereby reducing assets held for sale to almost zero. Due to the planned sale of our business involving domestic day-definite shipments in France and the UK, we reclassified the corresponding assets as held for sale. Part of the funds obtained from the sale of Postbank was invested in short-term capital market instruments; these represented the key factor in the increase in current financial assets from €684 million to €1,894 million. Cash and cash equivalents increased from €1,350 million to €3,064 million, due in particular to the remaining portion of the cash received. In contrast, receivables and other assets decreased from €8,081 million to €7,157 million, primarily as a result of the general economic situation.

→ Notes 33 to 38

Compared with 31 December 2008, equity attributable to Deutsche Post shareholders rose by €350 million to €8,176 million. The increase was primarily due to the consolidated net profit for the period, whereas the dividend payment for financial year 2008 served to decrease this item. The significant €1,929 million decline in minority interests to €97 million is due to the deconsolidation of Postbank.

→ Table c.05 and Note 42

The sale of Postbank was also the key factor behind the reduction in non-current and current liabilities. All of Postbank's liabilities and provisions were reported under liabilities associated with assets held for sale as at 31 December 2008 and were recognised in full as disposals following its deconsolidation. This resulted in a net decline of €227,736 million. Financial liabilities increased from €4,874 million to €7,439 million. Current financial liabilities were reduced from €1,422 million to €740 million, primarily because bank loans were repaid and liabilities from foreign currency derivatives fell. By contrast, non-current financial liabilities increased from €3,452 million to €6,699 million, as a mandatory exchangeable bond was subscribed as part of the Postbank sale and the put options were collateralised. Non-current and current provisions declined from €10,836 million to €9,677 million due in particular to the utilisation of provisions for restructuring measures and lower deferred tax liabilities. Trade payables amounted to €4,861 million as at 31 December 2009 and were therefore slightly below the previous year (€5,016 million). Other current and non-current liabilities also fell by €253 million, from €4,299 million to €4,046 million.

→ Notes 46 to 48

#### Indicators for continuing operations

In order to ensure the comparability of the indicators, figures as at 31 December 2008 refer to an analysis with Postbank presented on an equity-accounted basis ("Postbank at equity").

The revision of our chart of accounts affected the composition of net debt/net liquidity: this indicator now also contains the effects of the measurement of derivatives. The prior-year amounts have been adjusted accordingly. Details are presented in the Notes.

→ Note 5

The sale of Postbank significantly reduced our net debt and increased our net liquidity. Although financial liabilities increased following subscription of the mandatory exchangeable bond and payment of the collateral for the put option on the remaining

Postbank shares, the cash and financial assets received in exchange for the Postbank shares increased. However, we have not included the mandatory exchangeable bond when calculating net debt, as it will be paid for in full by Postbank shares. Equally, the collateral for the put option on the remaining Postbank shares and the net effect of the measurement of the derivatives from the sale of Postbank are not included in the calculation. As a result, net debt decreased, or net liquidity increased, from €2,466 million to €-1,690 million.

At 23.8%, the equity ratio was exactly the same as in the previous year.

Net gearing – the ratio of net debt to the sum of equity and net debt combined – fell from 23.7% to –25.7%.

Net interest cover is calculated by dividing EBIT by net interest received/paid and shows the ratio of EBIT to net interest obligations. It declined from 7.1 to 1.2.

The dynamic gearing ratio is an indicator of internal financing capacity and expresses the average number of years required to pay off outstanding debt using the cash flow generated from operating activities in the year under review. It changed from an average of 0.7 years to –1.4 years.

#### A.29 Selected indicators for net assets (continuing operations)

		2008 <sup>1)</sup>	2009
Equity ratio	%	23.8	23.8
Net debt/net liquidity	€m	2,466	–1,690
Net gearing	%	23.7	–25.7
Net interest cover		7.1	1.2
Dynamic gearing ratio	years	0.7	–1.4

1) Postbank at equity.

#### A.30 Net debt calculation (continuing operations)

€m	2008	2009
Non-current financial liabilities	3,452	6,699
⊕ Current financial liabilities	1,422	740
⊖ Financial liabilities	4,874	7,439
⊖ Cash and cash equivalents	1,350	3,064
⊖ Current financial assets	684	1,894
⊖ Long-term deposits <sup>1)</sup>	256	120
⊖ Positive fair value of non-current financial derivatives <sup>2)</sup>	89	805
⊖ Financial assets	2,379	5,883
⊖ Financial liabilities to Williams Lea minority shareholders	29	23
⊖ Mandatory exchangeable bond <sup>3)</sup>	0	2,670
⊖ Collateral for the put option <sup>3)</sup>	0	1,200
⊕ Net effect of the measurement of the Postbank derivatives <sup>4)</sup>	0	647
⊖ Non-cash adjustments	29	3,246
Net debt/net liquidity (continuing operations)	2,466	–1,690

1) Reported in available-for-sale financial assets in the balance sheet.

2) Reported in non-current financial assets in the balance sheet.

3) Reported in non-current financial liabilities in the balance sheet.

4) Reported in non-current financial assets and financial liabilities in the balance sheet.