

## 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
%		
<b>Global trade volume</b>	-12.3	5.8
<b>Real gross domestic product</b>		
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](#).

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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.

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