GROUP MANAGEMENT REPORT

A

LIVING RESPONSIBILITY

Since we operate all over the world, we bear a special responsibility to use our knowledge and experience for the betterment of society and to limit any negative impact our business may have on the environment. Living Responsibility embodies our efforts in the areas of environmental protection, disaster relief and education. We bundle many initiatives in our GoGreen, GoHelp and GoTeach programmes, which are underpinned by the dedication, skills and enthusiasm of our some 500,000 strong workforce. We want to help shape our future and make the world of tomorrow a better place to live in.

LIVING RESPONSIBILITY

- **GoGreen:** Minimising the impact our business may have on the environment by using resources responsibly.
- **GoHelp:** Help for people affected by natural disasters.
- **GoTeach:** Commitment to more education and better educational opportunities – the foundation that society needs to move forward.

More information is available at www.dp-dhl.com/en/responsibility.html

BUSINESS AND ENVIRONMENT

BUSINESS ACTIVITIES AND ORGANISATION

The leading mail and logistics group

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

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

Glossary, page 224

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

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

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

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

Four operating divisions

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

A.01 Organisational structure of Deutsche Post DHL

Corporate Center (CEO's board department, Finance and Personnel)

MAIL	EXPRESS	GLOBAL FORWARDING, FREIGHT	SUPPLY CHAIN
• Mail Communication • Dialogue Marketing • Press Services • Parcel Germany • Retail Outlets • Global Mail • Pension Service	• Europe • Americas • Asia Pacific • EEMEA (Eastern Europe, the Middle East and Africa)	• Global Forwarding • Freight	• Supply Chain • Williams Lea

Global Business Services

A new strategy and a new name

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

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

Glossary, page 224

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

A.02 Group structure from different perspectives

Corporate governance structure	Management responsibility	Legal structure	Brand names
According to corporate governance duties and responsibilities (boards and committees) • Corporate Center • Corporate Divisions • Global Business Services	According to decision-making responsibility and reporting lines • Board departments • Corporate departments • Business departments • Service departments • Regions • Departments	Based on the Group's legal entities • Deutsche Post AG • Group companies	According to the brand names used in customer communication • Deutsche Post • DHL

New Board members for EXPRESS and Finance

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

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

Adjustment to operating business organisation

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

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

Glossary, page 224

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

DISCLOSURES REQUIRED BY TAKEOVER LAW

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

Composition of issued capital, voting rights and transfer of shares

As at 31 December 2009, the company's share capital totalled €1,209,015,874 and was composed of the same number of no-par value registered shares. Each share carries the same statutory rights and obligations and entitles the holder to one vote at the Annual General Meeting (AGM). No individual shareholder or group of shareholders is entitled to special rights, particularly rights granting powers of control.

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

Shareholdings exceeding 10% of voting rights

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

Appointment and replacement of members of the Board of Management

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

Page 16

Amendments to the Articles of Association

In accordance with Section 119 (1), Number 5 and Section 179 (1), Sentence 1 of the AktG, amendments to the Articles of Association are adopted by resolution of the AGM. In accordance with Article 21 (2) of the Articles of Association in conjunction with Sections 179 (2) and 133 of the AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented. In such instances where a greater majority is required by law for amendments to the Articles of Association, that majority is decisive.

Under Article 14 (7) of the Articles of Association, the Supervisory Board has the authority to resolve amendments to the Articles of Association in cases where the amendments affect only the wording. In addition, the AGM resolutions passed on 8 May 2007 (Contingent Capital III) and 21 April 2009 (Authorised Capital 2009) authorised the Supervisory Board to amend the wording of the Articles of Association to reflect the respective share issue or the use of authorised capital as well as following the expiry of the respective authorisation period.

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

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

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

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

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

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

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

30 September 2010. This authorisation is subject to the proviso that at no time should the shares acquired in this way, together with the shares already held by the company, account for more than 10% of the share capital. The shares may be purchased through the stock market, a public offer, a public call for offers of sale from the company's shareholders or by some other means in accordance with Section 53a of the AktG. The authorisation permits the Board of Management to exercise it for every purpose authorised by law, particularly to redeem the purchased own shares without a further AGM resolution, subject to the consent of the Supervisory Board. Details may be found in the motion adopted by the AGM under agenda item 6 of the AGM of 21 April 2009.

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

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

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

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

If a takeover occurs, Board of Management members Ken Allen, Bruce Edwards, Lawrence Rosen and Hermann Ude are each entitled to resign their office as a member of the Board of Management for good cause within a period of six months following the change in control after giving three months' notice to the end of the month and to terminate their Board of Management contracts (right to early termination). In the event of the right to early termination being exercised or a Board of Management contract being terminated by mutual consent under the same conditions, the Board of Management member is entitled to payment to compensate the remaining term of his Board of Management contract. Such payment is limited to the cap pursuant to the recommendation of Number 4.2.3 of the German Corporate Governance Code as amended on 18 June 2009. The agreements are outlined in the Remuneration Report.

Page 115 f.

REMUNERATION OF THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

Page 113 f.

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

ECONOMIC PARAMETERS

Global economy in crisis

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

A.03 Global economy: growth indicators for 2009

%	Gross domestic product	Exports	Domestic demand
USA	–2.4	–9.9	–3.4
Japan	–5.1	–24.2	–3.2
China	8.7	–16.0	n/a
Euro zone	–4.0	–13.3	–2.9[1]
Germany	–5.0	–14.7	–1.8

1) Based on estimates by Postbank Research.

Source: National statistics, as at 19 February 2010.

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

Asia was also affected by the crisis. However, the region recovered much more quickly than others. The continent's emerging economies registered growth of 6.5% in 2009, keeping Asia at the forefront of the world economy, even though growth rates were significantly lower in some cases than in the preceding eight years. Leading the way was China, whose domestic economy received a boost from a massive infrastructure programme. GDP growth therefore fell only moderately to 8.7% (previous year: 9.6%) despite the 16% drop in exports. China's trade surplus decreased significantly from US$298 billion to US$196 billion. Direct investments were at a high level, totalling approximately US$90 billion.

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

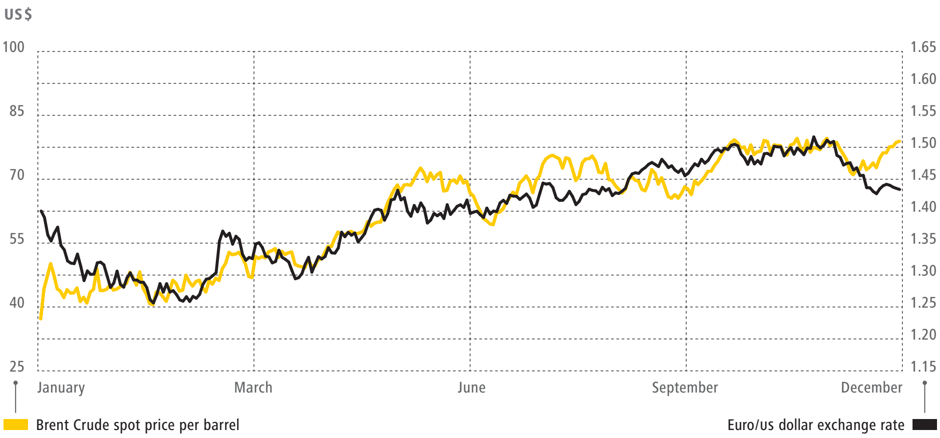
At the start of 2009, the euro zone was also heavily affected by the crisis. Exports collapsed and investment dropped dramatically. Unemployment rose sharply, with private consumption falling accordingly. Thanks to government economic stimulus plans, the economy began gaining a foothold in the spring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

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

Oil prices again on the rise

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

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



Euro up sharply

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

Corporate bonds recover

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

International trade declines sharply in crisis year

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

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

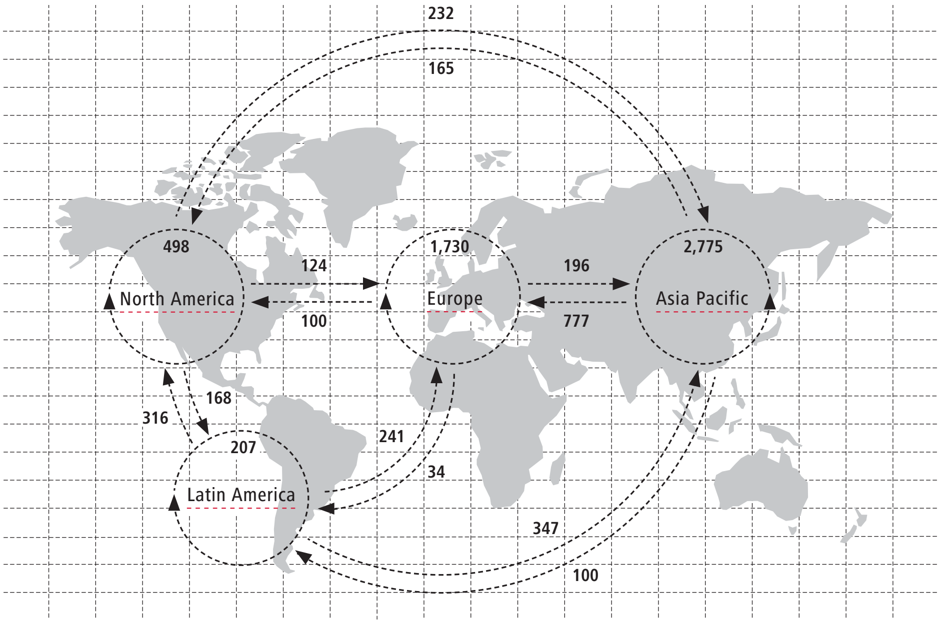
A.05 Trade volumes: compound annual growth rate 2008–2009

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

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

A.06 Major trade flows: volumes 2009[1)]

Tonnes (millions)



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

Our markets

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

Page 45 ff.

A.07 Market volumes

Global	Europe	USA	Asia
• International mail market (outbound, 2009): €7bn[1)]	• German mail market (2009): €6.3bn[1)]	• Domestic mail market (2009): €43.2bn[7)]	• International express market (2008): €5.5bn[9)]
• Air freight (2008): €19.0m tonnes[2)]	• Dialogue marketing, Germany (2009): €19.3bn[1)]	• International express market (2008): €1.6bn[8)]	
• Ocean freight (2008): €31.7m TEU[3)]	• International express market (2008): €14.0bn[5)]		
• Contract logistics (2008): €147bn[4)]	• Road transport (2008): €169.4bn[6)]		

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

Factors affecting our business

Page 25

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

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

Legal environment

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

Note 53

CORPORATE STRATEGY

Outstanding competitive position

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

Strategic focus sharpened during the crisis

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

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

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

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

Unlocking our full potential

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

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

Our two pillars: mail and logistics

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

Our new Group name, Deutsche Post DHL, underscores the significance of these two pillars of our business. The Deutsche Post brand stands for a company that sets global standards in quality, technology and efficiency and has already proven itself able to very successfully meet the challenges inherent in this mature market. In the MAIL division, our goal is to continue operating highly profitably and to enhance our range of services by adding more communications products.

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

Our guiding principle: Respect and Results

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

Simplifying the lives of our customers

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

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

Making a contribution to our environment

Corporate responsibility, page 76

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

GROUP MANAGEMENT

EBIT after asset charge as additional control parameter

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

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

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

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

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

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

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

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

A.10 EBIT after asset charge (EAC)

€m	2008 adjusted	2009	+/–%
Reported EBIT	–966	231	123.9
– Asset charge	–1,518	–1,190	–21.6
= **EAC**	**–2,484**	**–959**	**61.4**

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

A.08 Calculating EAC

Reported EBIT	
– Asset charge	
	= Net asset base
	× Weighted average cost of capital
= **EBIT after asset charge**	

A.09 Calculating net asset base

Operating assets
- Intangible assets
- Property, plant and equipment
- Trade receivables, other operating assets

– Operating liabilities
- Operating provisions
- Trade payables, other operating liabilities

= **Business operating assets (BOA)**

+ Goodwill

= **Net asset base**

→ Earnings, page 34

CAPITAL MARKET

DEUTSCHE POST SHARES

A year of extremes on the stock market

2009 was a year of extremes on the stock markets. At the start of the year, investors were fleeing from shares in droves and investing in traditionally conservative investment products. Investor fear pushed the DAX down to an annual low of 3,666 points on 6 March – a loss in value of 23.8% on the 2008 closing value. Starting in the spring, sentiment on the capital markets gradually began improving. Good news from the business community, especially the banking sector, gave the markets reason to hope. It became apparent that policymakers were going to come to the aid of the financial world as never before. The first leading indicators were likewise positive, and the DAX climbed back over the 5,000-point mark. The index drifted back down briefly in the summer prior to rebounding in mid-July to close the year at nearly 6,000 points and a gain of approximately 24% on the previous year's closing value. The EURO STOXX 50 gained 21.1% and the Dow Jones rose 18.8%.

A.11 Deutsche Post shares, multi-year review

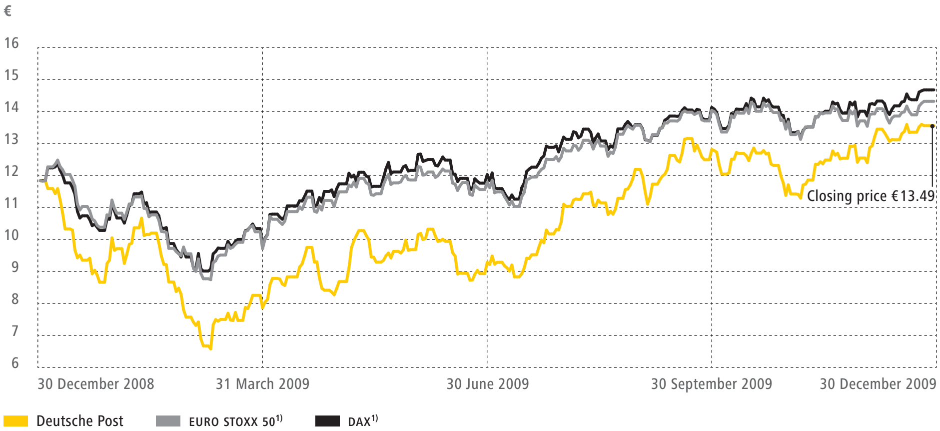
		2004	2005	2006	2007	2008	2009
Year-end closing price	€	16.90	20.48	22.84	23.51	11.91	13.49
High	€	19.80	21.23	23.75	25.65	24.18	13.79
Low	€	14.92	16.48	18.55	19.95	7.18	6.65
Number of shares	millions	1,112.8	1,193.9	1,204.0[1]	1,208.2[1]	1,209.0[1]	1,209.0
Market capitalisation as at 31 December	€m	18,840	24,425	27,461	28,388	14,399	16,309
Average trading volume per day	shares	2,412,703	3,757,876	5,287,529	6,907,270	7,738,509	5,446,920
Annual performance including dividend	%	6.4	24.1	14.9	6.9	–45.5	18.3
Annual performance excluding dividend	%	3.4	21.2	11.5	2.9	–49.3	13.3
Beta factor[2]		0.84	0.75	0.80	0.68	0.81	0.91
Earnings per share[3]	€	1.44	1.99	1.60	1.15	–1.40	0.53
Cash flow per share[4]	€	2.10	3.23	3.28	4.27	1.60	–0.48
Price-to-earnings ratio[5]		11.7	10.3	14.3	20.4	–8.5	25.5
Price-to-cash flow ratio[4, 6]		8.1	6.4	7.0	5.5	7.4	–28.1
Dividend	€m	556	836	903	1,087	725	725[7]
Payout ratio	%	34.8	37.4	47.1	78.6	–	112.6
Dividend per share	€	0.50	0.70	0.75	0.90	0.60	0.60[7]
Dividend yield	%	3.0	3.4	3.3	3.8	5.0	4.4

1) Increase due to exercise of stock options, Note 39. 2) From 2006: Beta 3 years; source: Bloomberg. 3) Based on consolidated net profit excluding minorities, Note 24. 4) Cash flow from operating activities. 5) Year-end closing price/earnings per share. 6) Year-end closing price/cash flow per share. 7) Proposal.

A.12 Peer group comparison: closing price on 30 December

		2008	2009	+/–%
Deutsche Post DHL	€	11.91	13.49	13.3
TNT	€	13.55	21.36	57.6
FedEx	US$	62.22	85.17	36.9
UPS	US$	54.18	58.18	7.4
Kuehne + Nagel	CHF	67.55	100.50	48.8

A.13 Share price performance

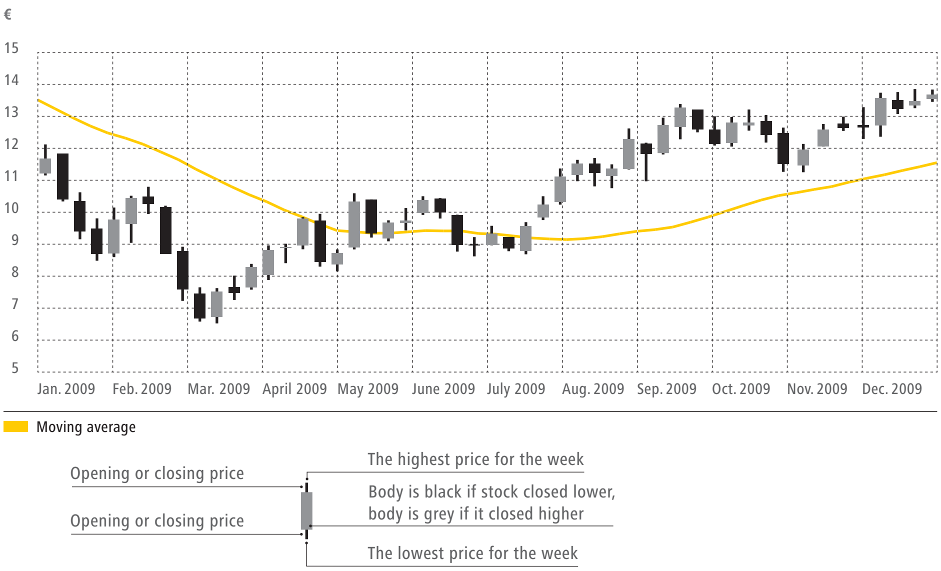


1) Rebased on the closing price of Deutsche Post shares on 30 December 2008.

Our shares recover markedly from annual low

In the initial weeks of the year, our shares lost considerably more ground than the DAX. The dividend reduction to €0.60 per share for financial year 2008 seriously disappointed investors and moved major US investment funds to abandon the stock. On 9 March, our share price hit an all-time low of €6.65 but then rallied, beginning an impressive climb. In just a few weeks the price shot up over the €10 mark before dipping slightly in the summer along with the rest of the market. Our second-quarter results clearly indicated that the measures implemented by the Group to limit the impact of the economic crisis were beginning to take effect. The share price moved back up, this time to stay, and our third-quarter figures confirmed that our efforts had taken hold. At this time the economic output of the major industrial countries also showed improvement for the first time in the year. The positive sentiment that this generated lifted shares of Deutsche Post to their annual high of €13.79 on 29 December. Our shares closed the year at €13.49, a 13.3% gain in value. Average trading volumes were only 5.4 million shares (previous year: 7.7 million).

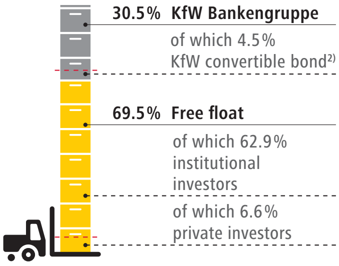
A.14 Candlestick graph/30-day moving average



Majority of analysts give "buy" recommendation

Following the previous year's trend, 18 analysts issued buy recommendations on Deutsche Post shares at year-end, with 10 analysts advising investors to hold and eight to sell. The average price target was €14 – the same as at year-end 2008.

A.15 Shareholder structure[1)]



1) As at 4 February 2010.
2) On 23 July 2009 KfW issued a convertible bond on Deutsche Post AG shares (volume: 54.1 million shares). Investors can convert this bond from the first due date for interest until 30 July 2014.

Stable shareholder structure

Our ownership structure was nearly the same as in the previous year. KfW Bankengruppe still held 30.5% of our shares. The free float amounted to 69.5%, 31.8% of which were held in the USA, 14.2% in Germany and 28.0% in the United Kingdom.

ADR programme facilitates US investor access to our shares

On 7 December 2009, we launched a Level 1 American Depositary Receipt (ADR) programme. These depositary receipts (ticker symbol: DPSGY) enable US investors to hold shares in Deutsche Post indirectly.

Investor relations receives top ranking again

In 2009, investors showed great interest in learning how the economic crisis had affected the company and what measures had been taken to counteract these effects. Other issues of significance were the sale of Postbank to Deutsche Bank as well as the mail business, particularly wage negotiations and the possible introduction of a value added tax on mail products. Our IR team and management spoke with investors about these and other topics in numerous individual meetings and at conferences. The Thomson Reuters Extel Pan-European Survey, which is highly regarded in the sector, again awarded us first place in the transport sector.

ROADMAP TO VALUE

Clear focus on profitability

Throughout 2009 we continued to implement our Roadmap to Value capital markets programme – which we announced in November 2007 – with successful results. In particular, our initiatives to improve profitability made a significant contribution to consolidated net profit. Our IndEx programme helped us to lower indirect costs throughout the Group by €1.108 billion – €138 million in 2008 and €970 million in 2009. We even exceeded our total savings target, reaching it twice as quickly as planned thanks to quicker implementation of the savings measures by our divisions, in part due to the ongoing crisis. We were able to compensate for some of the revenue losses resulting from volume declines by lowering costs.

Tight cash management

We invested €1.2 billion in 2009, €0.5 billion less than the prior-year period and a substantial reduction in capital expenditure. At the same time, we improved working capital by €426 million in the reporting period. Since the end of 2007, we have reduced working capital by a total of €890 million, thus surpassing our target of €700 million.

A.16 Progress on the Roadmap to Value

	Goals	Results	
1 Profitability	• Initiation of two-year programme to improve profits by €1 billion.	• Profit improvement target for 2008 reached and IndEx programme implemented earlier than expected.	✓
	• Consolidated EBIT of at least €4.2 billion in 2008.	• EBIT target missed due to various factors including recession, exclusion of Postbank's earnings as a result of its sale etc.	✗
2 Liquidity	• Reduction in net working capital of €700 million by the end of 2009.	• Target exceeded. Reduction of €890 million in net working capital since the end of 2007.	✓
	• Cash proceeds of at least €1 billion from the sale of non-strategic assets within 24 months.	• Real estate totalling €1.35 billion sold.	✓
3 Dividend	• Proposed dividend increase of 20% to €0.90 per share for 2007 and continuous growth in the years to follow.	• 2007 dividend: €0.90 • 2008 dividend: €0.60	✗
4 Transparency	• Enhanced transparency and disclosure.	• Transparency increased significantly, additional reporting detail.	✓
5 Organic growth	• Reduction in M&A spend.	• No major M&A conducted.	✓

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[1]	%	–1.8	0.5
Consolidated net profit/loss for the period[2]	€m	–1,688	644
Earnings per share[3]	€	–1.40	0.53
Dividend per share	€	0.60	0.60[4]

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:

Note 2

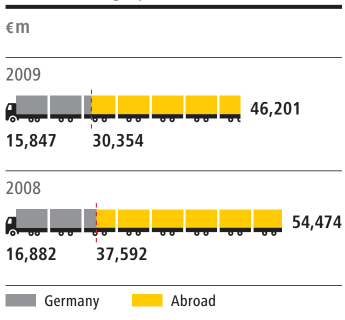
- Effective 6 February 2009, we increased our stake in Selekt Mail Nederland C.V., a Dutch company, from 51% to 100%.
- We sold the French company DHL Global Mail Services SAS in June.
- In July, DHL Sinotrans International Air Courier Ltd. – of which we hold a 51% share – acquired Shanghai Quanyi Express 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%.

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.

Note 12

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.

Note 13

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.

Note 14

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

Note 15

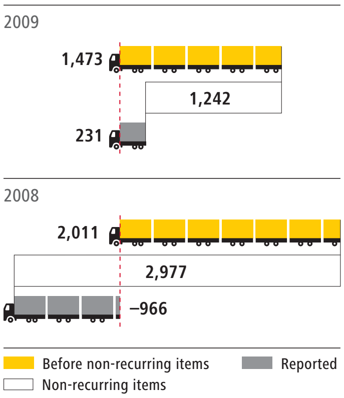
At €1,620 million, depreciation, amortisation and impairment losses were down 39.1% on the prior-year figure (€2,662 million). The year under review was impacted in particular by the restructuring of the US express business and the insolvency of Arcandor. In 2008, write-downs on the goodwill of Supply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

Note 16

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.

A.19 Consolidated EBIT for continuing operations

€m



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.

Note 21

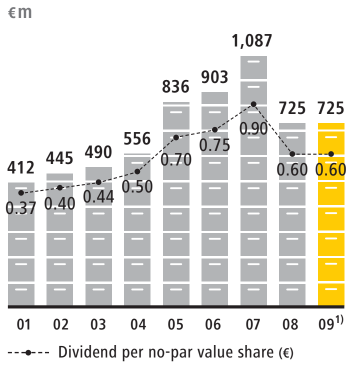
Consolidated net profit for the period up sharply

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.

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

A.21 Rating agencies' ratings

Standard & Poor's (2 July 2009)[1]	Moody's Investors Service (26 June 2009)[1]
Long-term: BBB+ Short-term: A–2 Outlook: negative	Long-term: Baa1 Short-term: P–2 Outlook: stable
+ Rating factors	**+ 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	• 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	**– 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	• 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

1) 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
	4,874	**7,439**

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
	7,274	**6,193**

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.

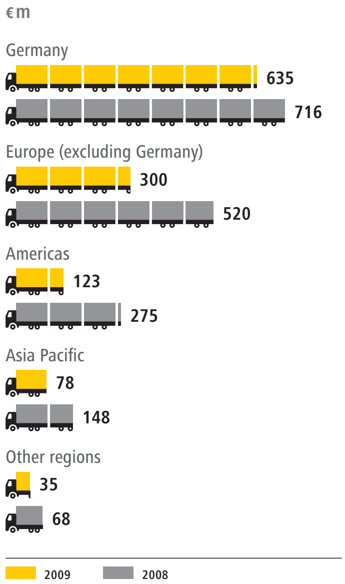
Investments on target

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[1]	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

1) 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[1]	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

1) 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.

MAIL, page 47

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.

Glossary, page 224

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

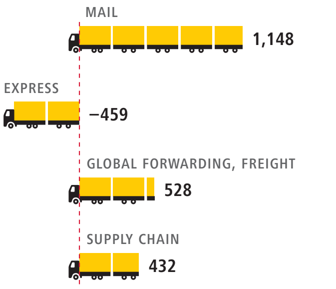
Cross-divisional investments also continued to decline, from €234 million in the previous year to €176 million. Most of the expenses were incurred for the purchase of vehicles and for IT. The decline in investment volume was mainly due to fewer vehicles being purchased. Deutsche Post Fleet GmbH invested €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.27 Operating cash flow by division, 2009

€m



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

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[1]	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[1]	256	120
– Positive fair value of non-current financial derivatives[2]	89	805
= Financial assets	2,379	5,883
– Financial liabilities to Williams Lea minority shareholders	29	23
– Mandatory exchangeable bond[3]	0	2,670
– Collateral for the put option[3]	0	1,200
+ Net effect of the measurement of the Postbank derivatives[4]	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.

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 products

Mail Communication
Mail products
Special services
Franking
Philately

Dialogue Marketing
Advertising mail
Tailored end-to-end solutions
Special services

Press Services
Press distribution services
Special services

Parcel Germany
Parcel products
Special services
Packstations

Global Mail
Mail import and export
Cross-border mail
Domestic mail services in countries other than Germany
Special services

Pension Service
Database administration
Payments

Customers in Germany

39 million households
3 million business customers
2–3 million retail outlet customers per working day

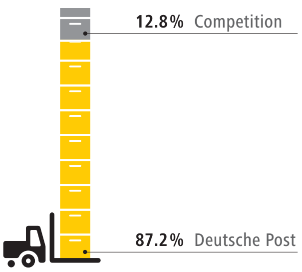
Network in Germany

82 mail centres
33 parcel centres
Approximately 2,500 Packstations
Approximately 1,000 Paketboxes
Approximately 17,000 retail outlets and points of sale
70 million letters per working day
2.5 million parcels per working day

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.

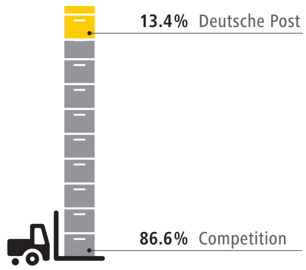
Targeted advertising

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.

A.33 Domestic dialogue marketing market, 2009

Market volume: €19.3 billion



Source: company estimate.

Glossary, page 224

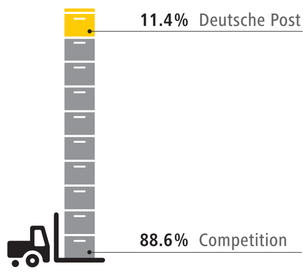
Newspaper and magazine subscriptions

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%.

A.34 Domestic press services market, 2009

Market volume: 17.0 billion items



Source: study by Simon-Kucher & Partners.

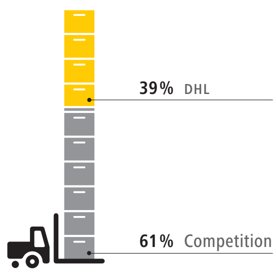
Posting and picking up parcels around the clock

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.35 Domestic parcel market, 2009

Market volume: €6.3 billion

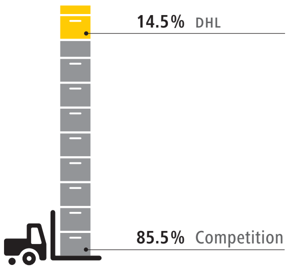


Source: company estimate.

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 billion[1]



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 (CO_2) 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.

Risks, page 85

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.

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
DHL Time Definite DHL Same Day DHL Day Definite	Europe Americas Asia Pacific EEMEA (Eastern Europe, the Middle East and Africa)	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.

Glossary, page 224

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

Corporate responsibility, page 76

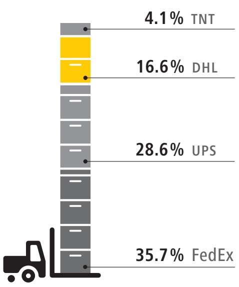
aircraft fulfil all economical and ecological requirements. Compared with earlier models, they reduce fuel consumption and in turn CO_2 emissions by more than 20%. As a result, we expect to reduce emissions by up to 66,000 tonnes per year. Our aircraft fleet thus makes a crucial contribution to meeting 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, 2008[1), 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 refocussed 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.

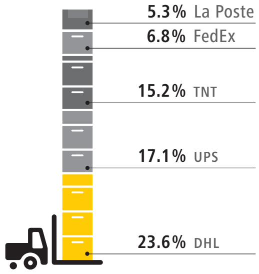
We have reviewed our Day Definite Domestic (DDD) business for profitability and productivity and decided to implement measures for streamlining our portfolio in the UK and France.

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.

A.42 European international express market, 2008[1), 2)]: 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.

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.

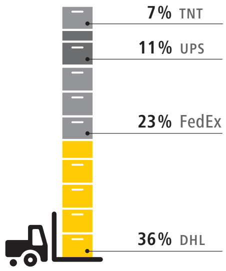
In 2009, we were able to increase our market share by two percentage points to 36%. In April, we opened new gateways in Taipei (Taiwan) and Incheon (South Korea). All in all, we have invested more than €1.9 billion in our regional infrastructure in the past few years and will continue to invest in Asia's 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.43 Asia Pacific international express market, 2008[1)]: top 4

Market volume: €5,542 million

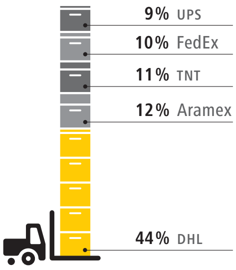


1) Country base: AU, CN, HK, ID, IN, JP, KR, NZ, MY, PH, SG, TH, TW, VN.
Source: MRSC study from 2007, annual reports, press releases, company websites, estimates and analyst reports.

Brands, page 82

A.44 International express market in the EEMEA region, 2008[1]: 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

Regions	Locations	Products
Global Forwarding	**Global Forwarding**	**Global Forwarding**
Europe, Americas, Asia Pacific, the Middle East and Africa > 150 countries and territories	> 810 branches	Air freight Ocean freight Industrial projects Transport management
Freight	**Freight**	**Freight**
Europe, CIS, Middle East, Northern Africa > 53 countries	> 160 branches	Full truckload Part truckload Less than truckload Intermodal transport

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.

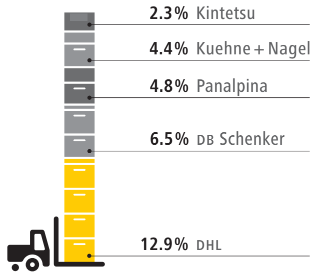
We broker between our customers and freight carriers and combine their orders in order to reach a volume that allows us to secure cargo space and charter capacity from airlines, shipping companies and freight carriers at competitive prices. We also make use of the air freight capacity of our EXPRESS 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

Market volume: 19.0 million tonnes[1)]



1) Data based solely on export freight tonnes.

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

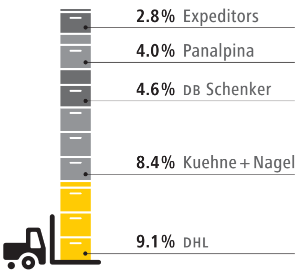
Economic parameters, page 20
Glossary, page 224

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.

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.

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.

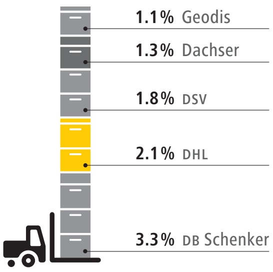
Market share stabilised in European overland transport

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.

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

Market volume: €169.4 billion[1)]



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.

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 customers, 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

Supply Chain logistics solutions
- Warehousing
- Distribution
- Managed transport services
- Value-added services (e.g., packaging, technical services, procurement)

Supply Chain sectors
- Consumer
- Retail
- Technology
- Life Science & Healthcare
- Automotive
- Energy
- Airline Business Solutions

Williams Lea services
- Office Document Solutions
- Customer Correspondence Management
- Marketing Solutions

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.

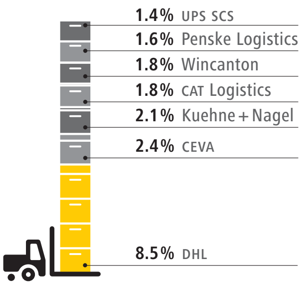
In the fast-growing Energy sector, we team up with other DHL units to provide integrated logistics solutions for both the build and run phases of major energy projects. For example, we operate one of the world's largest fourth-party logistics services in Oman, transporting cargo and water and co-ordinating 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 billion[1]



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.

Corporate responsibility, page 76 f.

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

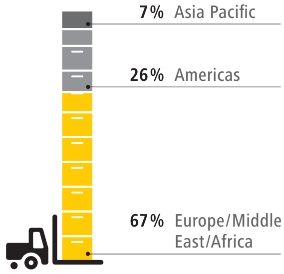
Economic crisis impacts customer business

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.

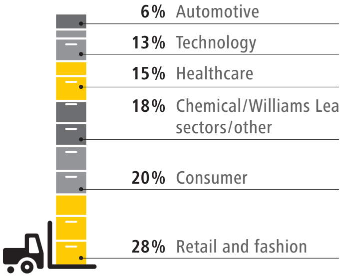
A.53 SUPPLY CHAIN, 2009: revenue by region

Total revenue: €12,507 million



A.54 SUPPLY CHAIN, 2009: revenue by sector[1]

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)

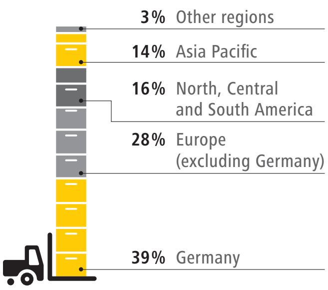
	2008	2009	+/– %
At year-end			
Headcount[1]	512,536	477,280	–6.9
Full-time equivalents[2]	**451,515**	**424,686**	**–5.9**
of which MAIL	142,674	143,042	0.3
EXPRESS	108,275	96,520	–10.9
GLOBAL FORWARDING, FREIGHT	41,499	38,859	–6.4
SUPPLY CHAIN	143,786	132,367	–7.9
Corporate Center/Other	15,281	13,898	–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, 2009[1)]



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 rate[1)]

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 safety[1]

	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

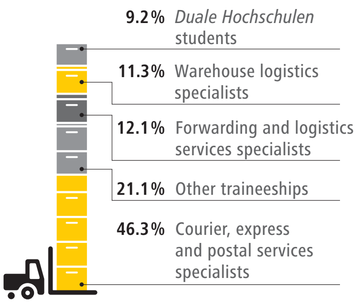
By training young people, we not only secure our future cadres of qualified specialists, we also make a key contribution to society. In 2009, we took on approximately 1,600 trainees and college students in Germany. Our more than 20 traineeships range from courier, express and postal services to air traffic 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.

A.59 Traineeships[1,2]



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

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.

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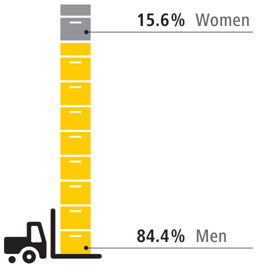
Our online training platform mylearningworld.net is an important part of our education and development concept. 50,000 employees around the world are currently taking advantage of the more than 2,000 courses we offer. In 2009, we introduced language training to the platform. The DHL Freight Forwarding 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.60 Gender distribution in top management[1)]



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 balance[1)]

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.

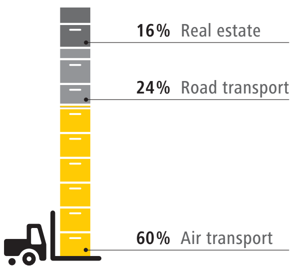
GoGreen – protecting the environment

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 CO_2 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).

A.63 CO_2 emissions, 2009

Total: around 5.6 million tonnes[1)]



1) Scopes 1 and 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 CO_2 reduction and efficiency measures as well as the economic crisis. We also improved the quality of CO_2 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.

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.

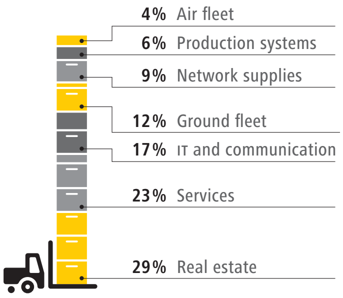
Against the backdrop of the global recession, Procurement has intensified its efforts to reduce Group expenses even further. New guidelines for business trips and corporate hospitality have contributed to the success of these endeavours. As in previous years, we have bundled products and services and 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

Volume: €7.7 billion



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 CO_2 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 CO_2 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	• Mail Communication • Dialogue Marketing • Press Services • Philately • Pension Service	• Global Mail • Parcel Germany	• Express	• Global Forwarding • Freight	• Supply Chain
Sub-brand					• 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.

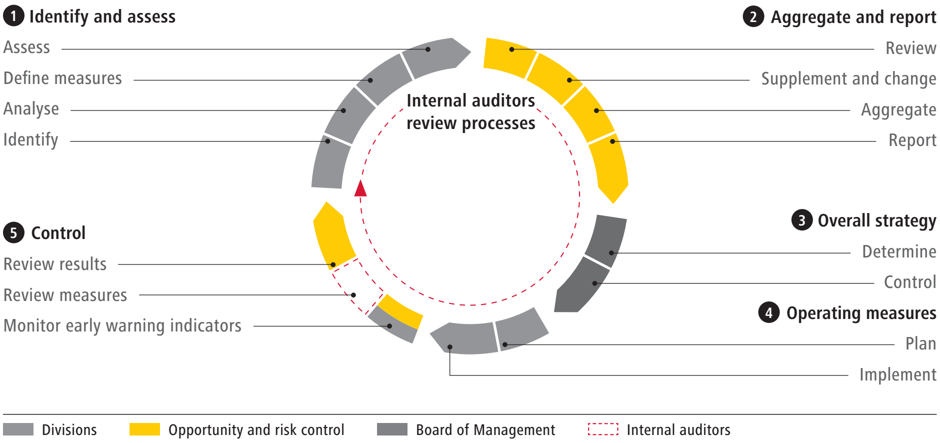
RISKS

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.

❸ **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.

❹ **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.

❺ **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

Employees, page 74

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.

Glossary, page 224

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.