Annual Report 2012

PIONEERING FUTURE MARKETS

DHL IN CHINA

DHL在中国始于1980

SINCE 1980

Deutsche Post DHL

01 THE GROUP

Deutsche Post DHL

Deutsche Post

DHL

Deutsche Post DHL is the world's leading mail and logistics services group. The Deutsche Post and DHL corporate brands represent a one-of-a-kind portfolio of logistics (DHL) and communications (Deutsche Post) services. The Group provides its customers with both easy-to-use standardised products as well as innovative and tailored solutions ranging from dialogue marketing to industrial supply chains. About 475,000 employees in more than 220 countries and territories form a global network focused on service, quality and sustainability. With programmes in the areas of environmental protection, disaster management and education, the Group is committed to social responsibility.

The postal service for Germany. The logistics company for the world.

@ dp-dhl.com

→ Organisational structure, page 20.

02 SELECTED KEY FIGURES

		2011	2012	+/– %	Q4 2011	Q4 2012	+/– %
Revenue	€m	52,829	55,512	5.1	14,126	14,577	3.2
Profit from operating activities (EBIT)	€m	2,436	2,665	9.4	599	827	38.1
Return on sales[1]	%	4.6	4.8	–	4.2	5.7	–
Consolidated net profit for the period[2]	€m	1,163	1,658	42.6	175	542	>100
Operating cash flow	€m	2,371	–203	–	1,262	–629	–
Net liquidity (–)/net debt (+)[3]	€m	–938	1,952	–	–	–	–
Return on equity before taxes	%	15.2	19.2	–	–	–	–
Earnings per share[4]	€	0.96	1.37	42.7	0.14	0.45	>100
Dividend per share	€	0.70	0.70[5]	0.0	–	–	–
Number of employees[6]		423,348	428,287	1.2	–	–	–

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Calculation → Group Management Report, page 49.
[4] Basic earnings per share.
[5] Proposal.
[6] Average FTEs.

开拓未来市场

Deutsche Post DHL

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Dr Frank Appel

Chief Executive Officer
Deutsche Post AG

4 March 2013, financial year 2012

Dear Shareholders,

In Chinese culture, red is the colour of wealth and good luck. So by tradition, red envelopes contain happy news, New Year's wishes and small gifts.

Last summer I too came back from China – a country in which we have been operating with our DHL business for more than 30 years – with many favourable impressions. During my several-week stay there, I was impressed with the dynamic of the country and the energy and initiative shown by its people. China is a good example of the great potential that emerging markets offer a logistics company such as ours.

Thanks to our presence in the world's growth markets, the DHL divisions performed particularly dynamically in financial year 2012 and played a key role in increasing our consolidated revenue by 5.1% to €55.5 billion. In the MAIL division, revenues were up again significantly in the parcel business, which helped to compensate for slight volume declines in the mail business. Consolidated EBIT improved by nearly 10% to €2.67 billion. In the fourth quarter, growth was even more pronounced.

The fact that external factors had a negative impact on our business makes this performance all the more satisfying. During the year, our liquidity situation suffered from two significant one-time charges from an additional VAT payment and a demand by the European Commission for repayment of state aid. Furthermore, the global economy grew only slightly and economic output in the euro zone even saw a decline.

Given these developments, at the Annual General Meeting we shall propose that a dividend per share of €0.70 be paid to you as in the previous year. The distribution ratio of 53.3% reflects our dividend policy of paying out 40% to 60% of adjusted net profit as dividends as a general rule.

I am very pleased to see that the progress we made in 2012 is now evident in the performance of our share price. Our shares performed much better than the DAX for the second year in a row and, with an annual yield of 45.6%, are amongst the top ten on the index.

We took advantage of the positive perception of our company on the capital market and borrowed €2 billion at favourable, long-term conditions in December in order to continue funding our pension obligations. This move will improve our cash flow and secure retirement benefits for our employees.

In the current financial year, we expect moderate growth in the world economy that will pick up momentum as the year progresses with a corresponding increase in revenues, especially in the DHL divisions.

Against this backdrop, we expect consolidated EBIT to reach between €2.7 billion and €2.95 billion in financial year 2013. The MAIL division is likely to contribute between €1.1 billion and €1.2 billion to this figure. In the DHL divisions, we expect an additional improvement in overall earnings to between €2.0 billion and €2.15 billion. Operating cash flow will recover from the one-time charges in the previous year and benefit from the earnings improvement.

For me, achieving such good financial results in a difficult environment is just further evidence that our Strategy 2015 is delivering and is being implemented successfully – for the benefit of our shareholders, customers and employees. With our extensive portfolio of products and services, targeted innovations in growth areas, exceptional position in the emerging markets and a culture of continuous improvement, we have laid the best possible foundation for further growth.

Just like the people I had the pleasure of meeting in China – such as at the opening of the North Asia Hub in Shanghai, on my delivery tour and in one-on-one talks with employees on site – we shall continue to press forward with spirit and determination.

Yours faithfully,

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03 TARGET-PERFORMANCE COMPARISON

GOALS 2012	RESULTS 2012	GOALS 2013
EBIT	**EBIT** ✓	**EBIT**
Group: €2.6 billion to €2.7 billion[1]. MAIL division: €1.0 billion to €1.1 billion. DHL divisions: around €2.0 billion[1]. Corporate Center/Other: around €–0.4 billion.	Group: €2.67 billion. MAIL division: €1.05 billion. DHL divisions: €2.04 billion. Corporate Center/Other: €–0.42 billion.	Group: €2.7 billion to €2.95 billion. MAIL division: €1.1 billion to €1.2 billion. DHL divisions: €2.0 billion to €2.15 billion. Corporate Center/Other: around €–0.4 billion.
Consolidated net profit[2]	**Consolidated net profit[2]** ✓	**Operating cash flow**
Continue to improve consolidated net profit before effects from the Postbank transaction, the additional VAT payment and the reversal of restructuring provisions in line with operating business (previous year: consolidated net profit before effects from the measurement of the Postbank instruments €1.46 billion).	Consolidated net profit before effects from the measurement of the Postbank transaction, the additional VAT payment and the reversal of restructuring provisions: €1.63 billion.	Operating cash flow will recover from the one-time charges in 2012 and benefit from the expected earnings improvement.
Capital expenditure (capex)[3]	**Capital expenditure (capex)**	**Capital expenditure (capex)**
Increase investments from €1.72 billion (2011) to a maximum of €1.8 billion.	Invested: €1.70 billion.	Increase investments to a maximum of €1.8 billion.
Dividend distribution	**Dividend distribution** ✓	**Dividend distribution**
Pay out 40% to 60% of net profit as dividend.	Proposal: pay out 53.3% of adjusted net profit as dividend.	Pay out 40% to 60% of net profit as dividend.

[1] Forecast increased over the course of the year.
[2] After deduction of non-controlling interests.
[3] Forecast narrowed over the course of the year.

← Contents and Target-Performance Comparison

PIONEERING
FUTURE MARKETS

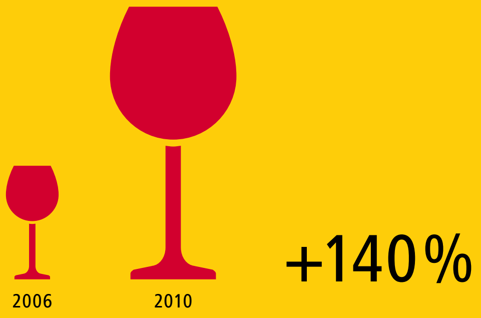
China is not only a fascinating country and the world's largest export country; it is also gaining importance as a domestic logistics market. DHL has been doing business in China for more than 30 years and is the fastest, most reliable express service provider there. As a logistics pioneer in the region, Deutsche Post DHL has continually expanded its global network, opening up Asia's growth markets both for the company and for other industries. Through our knowledge of the country, its people and its culture, we shall continue to unlock a wealth of potential for our customers in the market of the future – in China – and in other emerging markets.

DHL IN CHINA
DHL 在中国始于1980
SINCE 1980

MESSAGE IN A BOTTLE

The Chinese are discovering wine. According to experts, the market grew by 140 per cent between 2006 and 2010. Today, China is the fifth largest wine market in the world. And the more exclusive and expensive the vintage, the better – because here, wine is not only a drink, it is also a status symbol. The most important trans-shipment point is Hong Kong. In a former warehouse right on the harbour, DHL Global Forwarding has invested more than one million euros in its Wine Hub.

Wine consumption in China[1]



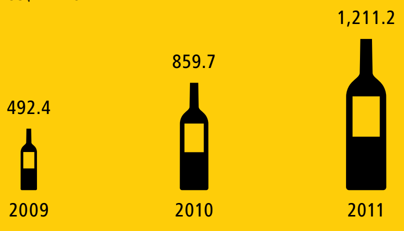
[1] Source: Vinexpo.

HUGE GROWTH MARKET

In 2009, average wine consumption in China totalled 1.15 litres per person. As a comparison, approximately 24.44 litres were consumed in Germany and in France the average was even higher, at 45.23 litres. Nevertheless, China is seen as a growth market for wine because of its enormous population, despite the fact that the average Chinese person's wine consumption may have to catch up compared to that of other countries.[1]

Growth in Hong Kong's import wine trade[2]

US$ million



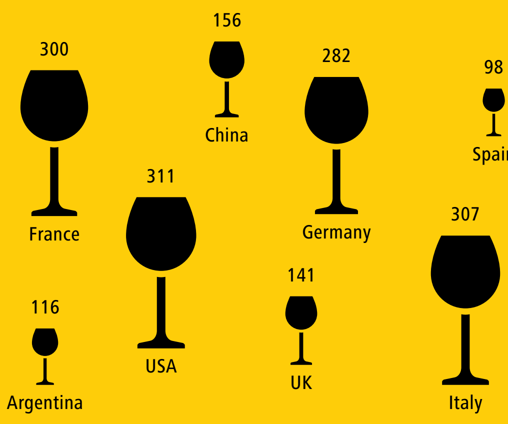
DHL Wine Hub, Hong Kong

230,000 BOTTLES

are stored in the hub; 180,000 are handled each year.

Wine consumption in selected countries in 2010[3]

million 9-litre-cases (a crate of twelve 750 ml bottles)



Sources:
[1] Wine Institute.
[2] Census and Statistics Department, Hong Kong.
[3] Vinexpo.

1

2

1
If someone wants to enjoy
an excellent wine, they call DHL.

2
Bottles imported to China have
to be re-labelled.

3
Wine is not just a drink in China;
it is also a status symbol.

It smells like the sea and the sun is hot. If you visit the DHL Global Forwarding Wine Hub in Hong Kong's Kennedy Town, the tropical climate may overwhelm you. Right on the harbour is a rather unspectacular concrete building where cargo, mainly rice, is unloaded at the ramps on the ground floor. Take the freight lift up to the 13th floor and you find yourself in another world, where long rows of shelves house a total of 230,000 bottles of wine. And almost all of it is the premium variety. "In Hong Kong about 60 per cent of the total wine market is in the luxury segment," says Edward Hui, CEO of DHL Global Forwarding for Hong Kong, Macau and South China. The most expensive bottle costs HK$1.6 million, or around €160,000. In Asia, the favourites are expensive Bordeaux wines from France. In second place are Italian wines.

Market with substantial growth potential

In order to store the wine properly, an environment was created that approximates a wine cellar. Thanks to modern air conditioning, the room temperature is maintained constantly at between 16 and 20 degrees Celsius and the humidity between 70 and 80 per cent. There is no direct sunlight and no heavy equipment to disturb the bottles.

In 2008, the Hong Kong government abolished its tax on wine and since then the former crown colony has developed into one of the most important wine business centres in the world. "The Asian markets offer enormous growth potential, and Hong Kong is the door to these markets," says Mr Hui. DHL has seized the opportunity and, in the past few years, has become a specialist in importing and storing wine.

Employees receive special training

Approximately 180,000 bottles pass through the Wine Hub each year. In wine-producing countries overseas the valuable bottles are carefully packed for the journey by air or sea to Asia. The temperature and humidity have to be just right along the entire supply chain. "Our employees have been trained and handle these valuable bottles with the utmost care," explains Kam Keung Lai, who is in charge of the wine warehouse. They print the labels for the bottles being exported to China – as required by customs – or prepare the wines for their big day at one of Hong Kong's many auctions. The large auction houses there reported wine sales valued at over US$198 million in 2011 – a figure that puts Hong Kong ahead of New York and London, which were previously the major locations for wine auctions.

Wine shipments delivered at the perfect temperature

Yet wine merchants, restaurants and auction houses aren't the only ones that rely on DHL's services – an increasing number of private individuals do, too. Hardly anybody in Hong Kong has their own wine cellar. Instead, they pick up the telephone when they want to enjoy an excellent wine with their evening meal. The wine order is assembled, carefully packed and delivered to its destination at just the right time and at just the right temperature – a feat made possible thanks to a special foil that was designed for temperature-controlled deliveries. In the future, it could replace multiple manual temperature controls, and even reduce costs.

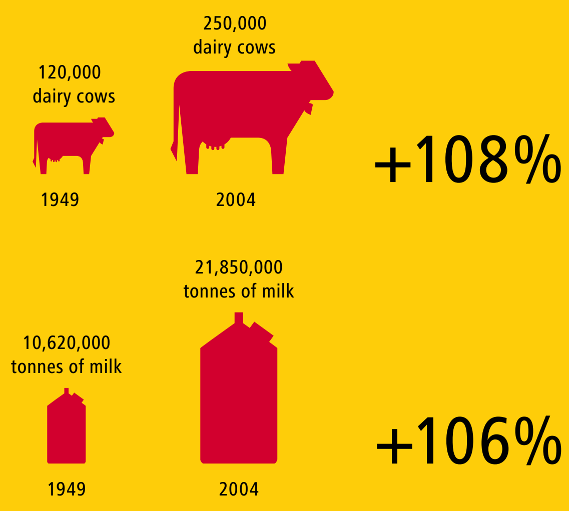
3

DHL IN CHINA
DHL在中国始于1980
SINCE 1980

THE MILKY WAY

"Don't cry over spilt milk," the saying goes. But when there's a line stop on a carton filling machine requiring spare parts, action must be taken immediately. Food producers all over the world rely on the filling lines of Tetra Pak – a leading food processing and packaging solutions company – to deliver products that end up on our kitchen table. For this to happen requires efficient equipment maintenance, including having the right parts on hand. In 2008, Tetra Pak teamed up with DHL to create a new spare parts distribution system based in Shanghai to service customers in the key Asia Pacific region.

Milk – a growth market in China[1]



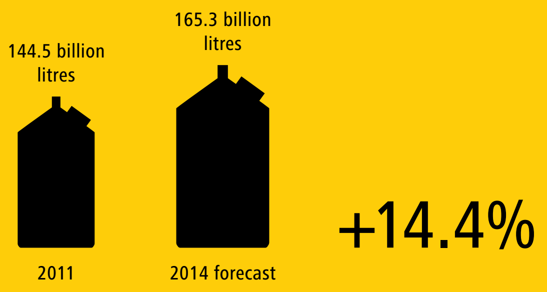
[1] Source: China Today.

Klas Wimmerstedt is the director of Tetra Pak's Parts Supply Chain.

MIDDLE CLASS CHANGES CONSUMER BEHAVIOUR

According to the Chinese Academy of Social Sciences, as many as 230 million people – 37 per cent of the urban population – made up the middle class in 2009. This rapidly growing segment of the population has an appetite for high-quality products and increasingly for western food products such as milk. Forecasts indicate that China will surpass the United States as early as 2015 as the largest food product market in the world, and that the market volume will nearly double to over one billion euros.[1]

Consumption of liquid milk products in Asia Pacific[2]



Shanghai warehouse

- 6,500 M^2 OF SPACE
- 1,827 M^2 SHELVING

A key trans-shipment hub

IN DECEMBER 2012, ONE-THIRD OF ALL TETRA PAK REPLACEMENT PART SHIPMENTS AROUND THE WORLD WERE DELIVERED TO CUSTOMERS BY DHL EXPRESS ASIA PACIFIC.

Sources:
[1] PWC.
[2] Tetra Pak.

1

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2

Tetra Pak products are virtually everywhere. Since the early 1950s, the company's coated cardboard packages have influenced food storage and delivery practices worldwide. Today, you'll find Tetra Pak products in nearly every household and some 10,000 filling machines in operation at Tetra Pak customers – typically milk or other liquid food producers – around the globe. Fresh food products that have to be packaged quickly. "For us and our customers, it's a disaster if the machines are standing still because they don't have the right spare parts," explains Klas Wimmerstedt, Director of Tetra Pak's Parts Supply Chain.

首选的通行证！
F G H J K L

1
DHL serves Tetra Pak customers throughout Asia from the Shanghai warehouse.

2
Replacement parts have to be available around the clock.

Supply chain restructured

Ensuring that the required spare parts are at the agreed place at the specified time is no small job. Altogether, about 70,000 different part numbers need to be stocked at all times and distributed as quickly as possible to keep machines around the world running. "On average, we deliver a spare part to a machine at a customer every 20 seconds, 24/7," says Mr Wimmerstedt. Like many companies, Tetra Pak found its supply chain challenged by booming growth in China. So in 2008, it begun restructuring its supply chain, making a location in China the focal point for the Asia Pacific region, and DHL its third-party logistics provider.

DHL entered the Chinese market in 1980 and is the only express provider there licensed to store both bonded goods (items that are not taxed until they are shipped,) and non-bonded goods (items sourced in China and destined for export) in the same facility. According to Sean Wall, Senior Vice President, Network Operations and Aviation, DHL Express Asia Pacific, that reduces costs and streamlines processes for Tetra Pak. Now, instead of Tetra Pak supplying a number of small warehouses in the Asia Pacific region from Europe, DHL ships directly to customers from the Shanghai facility. "This gives us a unique advantage in terms of the bonded goods," says Mr Wimmerstedt. "Shipments move directly to the customer. The paperwork for duties and taxes is done later on, which is great both in terms of speed and price."

Making the move to centralise the supply chain in China required high degrees of trust and flexibility on both sides. "There were a lot of unknowns. We were trying things we had never done before and worked it out as we went along," says Mr Wall. "Tetra Pak had to put their faith in our customs-clearance expertise and trust that we could deliver." The concept was drafted and the implementation planned as a team effort – which included First Choice workshops. The trust put in DHL paid off. Now, Shanghai is Tetra Pak's best performing distribution centre in the world and its largest in terms of end-customer deliveries. In December 2012, one-third of all Tetra Pak replacement part shipments were delivered to customers by DHL Express Asia Pacific.

DHL IN CHINA
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SINCE 1980

Special service satisfies customers

It is an example of successful customer collaboration that led to a custom-tailored solution. Boris Tranberg, Global Customer Manager for Tetra Pak at DHL Customer Solutions & Innovation, knows that other companies are keeping a close eye on the collaboration as the centre of gravity for world manufacturing shifts towards China. "It is an interesting business model for many customers – but you need guts to make the decision that Tetra Pak has made." Mr Wimmerstedt admits he was initially worried about the transition to the new distribution structure but now he is more than happy with the result. "We are very demanding – but we also appreciate it when things move in the right direction. Together, we've been able to push the limits of performance. All in the interest of our customers."

Flight No. Dest Cut-off Count-down Message 15:55
DHL
08 FLYER AUTOSORT AREA

HUB FOR ASIA

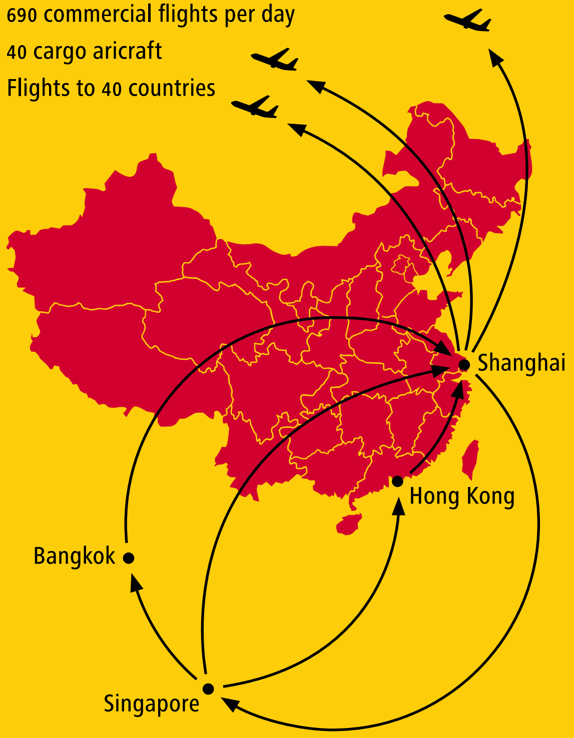
The new express hub in Shanghai is something special, and it has the numbers to prove it: 88,000 square metres of space (the size of 13 football fields), an investment of 175 million US dollars, and sorting capacity for up to 40,000 documents and parcels per hour. Indeed it's so special that the entire Board of Management of Deutsche Post DHL attended the official opening celebration in July 2012. "DHL Express' North Asia Hub is a logistics milestone in our Asia Pacific network," says Chief Executive Officer Dr Frank Appel.

Four Asian hubs

690 commercial flights per day

40 cargo aricraft

Flights to 40 countries

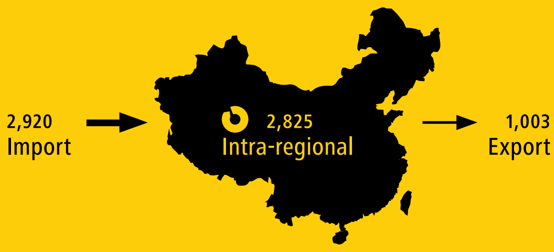

Shanghai
Hong Kong
Bangkok
Singapore

MORE INVESTMENTS PLANNED

DHL already generates almost 20 per cent of its global revenue in the Asia Pacific region. By 2017, the company plans to increase revenue in the region to a third of its total. In the last several years DHL has invested more than 2.5 billion US dollars to develop products and services in Asia. In addition, the company plans to invest in further aircraft in order to serve the high-demand trade lanes between Shanghai, Northern Asia, Europe and the USA.

Major trade flows in the Asia Pacific region[1]

Volumes in 2012 (million tonnes)



MegaHub in Hong Kong

⊕ 90,000 M^{2} OF SPACE

⊕ 8 LEVELS

North Asia Hub in Shanghai

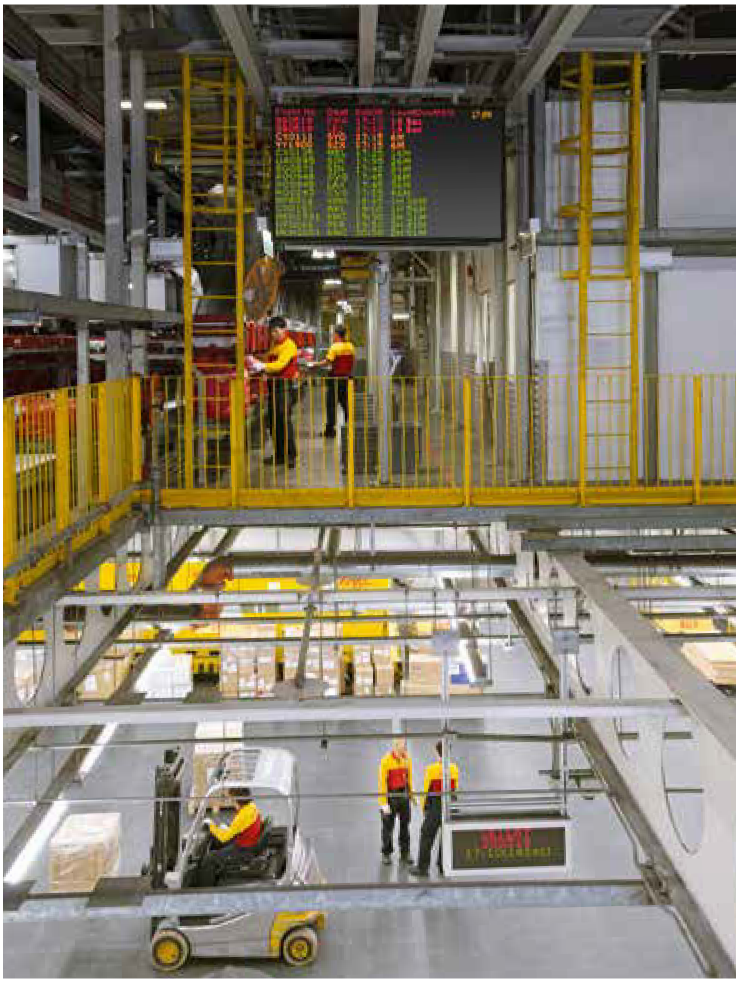
⊕ 88,000 M^{2} OF SPACE

⊕ UP TO 40,000 ✉ + 📦 PER HOUR

⊕ 365 DAYS A YEAR

[1] Source: Copyright © IHS, 2012. All rights reserved, as at 31 December 2012.

1



3

DHL Express' four regional hubs in the Asia Pacific region – Shanghai, Hong Kong, Bangkok and Singapore – link over 70 gateways located throughout the Asia Pacific region. The regional network is served by a fleet of over 40 cargo aircraft covering 40 countries and in addition utilises approximately 690 commercial flights per day.

DHL is the market leader in China

Today, DHL generates almost 20 per cent of its overall revenue in the Asia Pacific region. "DHL pioneered Express services in Asia," says Ken Allen, CEO of DHL Express. "We tapped into the market and were the first international express company to enter China more than 30 years ago." In the meantime, DHL has long since matured from pioneer to market leader in the Middle Kingdom – thanks as well to extensive investments in infrastructure and the service portfolio. The company's yellow-and-red vehicles are not only a common sight on Chinese streets, but also on roads all across Asia. Today, Deutsche Post DHL has 472 locations, a fleet of 3,639 vehicles and a market share of 40 per cent in the international express business in Asia.

2

AMX 9036
DHL

Expertise and trust are what counts

"We are the only company that can offer everything from a single source," explains Dr Frank Appel. "In the past three decades we have built up a unique platform in the Asian markets and laid the foundation for the sustainable success of our DHL divisions."

Even more importantly, "We have won the trust of our customers," says Alan Liu, General Manager of the North Asia Hub in Shanghai. After all, Asian companies traditionally tend to handle their logistics and supply chain processes themselves. However, many underestimate the complexity of these supply chains and often there is a lack of needed trust. "We not only have to show that we have the best logistics resources and unique expertise in transport and inventory management, we also have to show that we are 100 per cent reliable," says Mr Liu.

Opportunities exploited throughout Asia

This is how the Group plans to continue to grow profitably in the future as well – and not only in Shanghai. In July 2012, the Group opened its MegaHub in Hong Kong. There, the SUPPLY CHAIN division takes advantage of the former crown colony's unique status as a special administration zone and free trade area. The Chinese mainland is only a thirty-minute drive away. With nearly 90,000 square metres spanning eight levels, goods from international customers are stored in the warehouse – the most modern of its kind. Lorries can drive up ramps as far as the ninth floor, four freight lifts connect the individual floors, and the latest fire prevention systems protect the goods.

1
The MegaHub in Hong Kong spans eight levels.

2
Alan Liu, General Manager, North Asia Hub in Shanghai.

3
The Shanghai hub sorts up to 40,000 documents and parcels per hour.

4
The MegaHub in Hong Kong is the most modern of its kind.

DHL's services also go above and beyond standard solutions: the MegaHub is more than just a warehouse. Tom Wong, Managing Director of DHL Supply Chain Hong Kong & Macau, explains: "The MegaHub allows us to meet a central need of our customers even better: by offering a comprehensive logistics service solution from a single source." This is also because the EXPRESS division operates another facility, the Tsing Yi Service Centre, in the same building, thus allowing DHL to combine its services and better fulfil customers' requirements.

DHL IN CHINA
DHL在中国始于1980
SINCE 1980

4

Interlink
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GROUP MANAGEMENT REPORT

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BUSINESS AND ENVIRONMENT

Business activities and organisation

The leading mail and logistics group

Deutsche Post DHL is the world's leading mail and logistics services provider. The Deutsche Post and DHL corporate brands represent a one-of-a-kind portfolio of logistics (DHL) and communications (Deutsche Post) services. We provide our customers with both easy-to-use standardised products as well as innovative and tailored solutions ranging from dialogue marketing to industrial supply chains. About 475,000 employees in more than 220 countries and territories form a global network focused on service, quality and sustainability. With programmes in the areas of climate protection, disaster relief and education, we are committed to social responsibility.

Four operating divisions

The Group is organised into four operating divisions, each of which is under the control of its own divisional headquarters and is subdivided into business units for reporting purposes.

We are the only provider of universal postal services in Germany. In our MAIL division, we deliver domestic and international mail and parcels and we are specialists in dialogue marketing, nationwide press distribution services and all the electronic services associated with mail delivery.

➔ Glossary, page 218

Our EXPRESS division offers courier and express services to business customers and consumers in more than 220 countries and territories, the most comprehensive network in the world.

Our GLOBAL FORWARDING, FREIGHT division handles the carriage of goods by rail, road, air and sea. We are the world's number one air freight operator, number two 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 solutions for corporate information and communications management tailored precisely to the needs of our customers.

We consolidate the internal services that support the entire Group, including Finance, IT and Procurement, in our Global Business Services (GBS). This allows us to make even more efficient use of our resources whilst reacting flexibly to the rapidly changing demands of our business and our customers.

Group management functions are centralised in the Corporate Center.

A.01 Organisational structure of Deutsche Post DHL

Deutsche Post DHL						
Corporate Center			Divisions			
CEO	Finance, Global Business Services	Human Resources	MAIL	EXPRESS	GLOBAL FORWARDING, FREIGHT	SUPPLY CHAIN
Board member • Dr Frank Appel	**Board member** • Lawrence Rosen	**Board member** • Angela Titzrath	**Board member** • Jürgen Gerdes	**Board member** • Ken Allen	**Board member** • Roger Crook	**Board member** • Bruce Edwards
Functions • Board Services • Corporate Communications & Responsibility • Corporate Development • Corporate First Choice • Corporate Heritage & Industry Associations • Corporate Legal • Corporate Office • Corporate Public Policy & Regulation Management • Customer Solutions & Innovation	**Functions** • Corporate Accounting & Reporting • Corporate Audit & Security • Corporate Controlling • Corporate Finance • Global Business Services: Procurement, Real Estate, Finance Operations etc. • Investor Relations • Taxes	**Functions** • HR MAIL • HR DHL • Corporate Executives • Group Labor Relations • HR Development • HR Performance & Programs • HR Standards & Guidelines	**Business units** • Mail Communication • Dialogue Marketing • Press Services • Value-Added Services • Parcel Germany • Retail Outlets • Global Mail • Pension Service	**Regions** • Europe • Americas • Asia Pacific • MEA (Middle East and Africa)	**Business units** • Global Forwarding • Freight	**Business units** • Supply Chain • Williams Lea

Further information, page 220f.

A presence that spans the globe

Deutsche Post DHL operates around the world. The map shows our most important locations.

Angela Titzrath new Board Member for Human Resources

As at 1 May 2012, Angela Titzrath assumed responsibility for the Human Resources board department. At that time, we also adjusted the Board of Management's allocation of duties: responsibility for all HR functions have been moved to the Human Resources board department.

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 2012, 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 that would limit voting rights or the transfer of shares.

Members of the Board of Management receive stock appreciation rights (SARs) each year as a long-term remuneration component under the Long-Term Incentive Plan provided that they each invest cash or Deutsche Post AG shares for each tranche of the plan. If a Board of Management member sells the shares included in their personal investment for the tranche or disposes of their personal cash investment before the scheduled waiting period of four years has expired, all SARs from that tranche will be forfeited.

As part of the Share Matching Scheme, participating Group executives are obligated to use a portion of their annual bonus to purchase shares in the company. According to the underlying terms, shares acquired under the scheme are subject to a four-year lock-up period.

Shareholdings exceeding 10% of voting rights

KfW Bankengruppe (KfW), Frankfurt am Main, is our largest shareholder, holding around 25.5% 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 et seq. of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act), KfW and the Federal Republic of Germany are the only shareholders that 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) and 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 is permitted for a maximum of five years in each case. 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.

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 (1) of the AktG, such amendments generally require a simple majority of the votes cast and a simple majority of the share capital represented on the date of the resolution. In such instances where the law requires a greater majority 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 21 April 2009 (Authorised Capital 2009) and 25 May 2011 (Contingent Capital 2011) 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 and/or in the case of non-use of the contingent capital following the expiry of the periods for exercising options or conversion rights, or conversion obligations. The AGM resolution on Contingent Capital 2011 further authorises the Supervisory Board to make all other amendments to the Articles of Association associated with the issue of new shares in cases where the amendments affect the wording only. In addition, the AGM resolutions passed on 28 April 2010 (authorisation to acquire and use treasury shares as well as to acquire treasury shares through derivatives) authorise the Supervisory Board to amend the wording of the Articles of Association if the purchased treasury shares are redeemed to reflect the redemption of shares and the reduction of share capital. The Board of Management is authorised to amend the information on the number of shares in the Articles of Association if it determines that the proportion of the other shares in the share capital is increased due to the redemption.

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 on 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 used such authorisation. When new shares are issued on the basis of 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.

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 25 May 2011 authorising the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, (hereinafter referred to collectively as "bonds") in an aggregate principal amount of up to €1 billion, on one or more occasions until 24 May 2016, thereby granting options or conversion rights for up to 75 million shares having a total share in the share capital not to exceed €75 million. The bond conditions may also provide for a conversion obligation at the time of maturity of the bonds or at another time or may entitle the company or the Group company to grant the bond holders or creditors shares in the company in lieu of payment of all or part of the sum of money payable. The share capital is contingently increased by up to €75 million in order to grant shares to the holders or creditors of the options, conversion rights or conversion obligations after exercise of their rights for the purpose of settling the entitlements related to the options or rights or fulfilling the conversion obligations (Contingent Capital 2011, article 5 (3) of the Articles of Association). When issuing bonds, pre-emptive subscription rights may only be disapplied subject to the terms of the aforementioned resolution and subject to the consent of the Supervisory Board. Further details may be found in the motion adopted by the AGM under agenda item 6 of the AGM of 25 May 2011.

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Authorisation to issue bonds is standard practice amongst publicly listed companies. This allows the company to finance its activities flexibly and promptly and gives it the financial leeway necessary to take advantage of favourable market situations at short notice, for example by offering bonds with options or conversion rights, or conversion obligations on shares in the company as a consideration within the context of company mergers, and when acquiring companies or shareholdings in companies. Full use was made of the aforementioned authorisation in December 2012 by issuing a convertible bond in the aggregate principal amount of €1 billion.

Finally, the AGM of 28 April 2010 authorised the company to buy back shares on or before 27 April 2015 up to an amount not to exceed 10% of the share capital existing as at the date of the resolution. Such authorisation is subject to the proviso that at no time should the shares thus acquired, 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 permissible under the law, particularly to redeem the purchased treasury 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 28 April 2010.

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In addition to this, the AGM of 28 April 2010 also authorised the Board of Management, within the scope resolved by the AGM of 28 April 2010 in agenda item 6, to acquire treasury shares through the use of derivatives, namely by servicing options that, upon their exercise, require the company to acquire treasury shares (put options), by exercising options that, upon their exercise, grant the company the right to acquire treasury shares (call options) or by servicing or exercising a combination of put and call options. All share acquisitions using the aforementioned options are limited to a maximum of 5% of the share capital existing on the date of the resolution. The term of the options may not exceed 18 months, must expire by no later than 27 April 2015 and be selected such that treasury shares may not be acquired by exercising the options after 27 April 2015. Further details may be found in the motion adopted by the AGM under agenda item 7 of the AGM of 28 April 2010.

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In addition to this, the AGM of 9 May 2012 authorised the Board of Management to additionally use the shares acquired on the basis of these authorisations to list the company's shares on a foreign stock exchange on which the shares have not previously been admitted for trading on a regulated market, subject to the consent of the Supervisory Board with pre-emptive subscription rights disapplied. Further details may be found in the motion adopted by the AGM under agenda item 6 of the AGM of 9 May 2012.

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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 buy-back as a tool and give the company the opportunity to structure the share repurchase in an optimum manner. The authorisation to use shares for the purpose of listing on a foreign stock exchange is intended to enable the company to expand its shareholder base also in foreign countries in line with its global orientation.

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

Deutsche Post AG took out a syndicated credit facility with a volume of €2 billion from a consortium of banks. If a takeover within the meaning of the contract occurs, each member of the bank consortium is entitled under certain conditions to cancel its share of the credit line as well as its share of outstanding loans and require repayment. The terms and conditions of the loans issued under the Debt Issuance Programme established in March 2012 and of the convertible bond issued in December 2012 also contain change of control clauses. In case of a change of control within the meaning of the terms and conditions, the creditor is granted under certain conditions the right to demand early redemption of the respective bonds. Furthermore, a framework agreement exists concerning the supply of fuel, based on which fuel in the value of a high double-digit million amount was obtained in the reporting year and which, in case of a change of control, grants the supplier the right to bring the business relationship to a close without notice.

In the event of a change in control, any member of the Board of Management is entitled to resign their office for good cause within a period of six months following the change in control, after giving three months' notice as at the end of the month, and to terminate their Board of Management contract (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 within nine months of the takeover, the Board of Management member is entitled to payment to compensate the remaining term of their 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 15 May 2012, with the specification outlined in the remuneration report. With respect to options from the Long-Term Incentive Plan, the Board of Management member will be treated as if the waiting period for all options had already expired upon cessation of the Board of Management contract. The options eligible for exercise may then be exercised within six months of cessation of the contract. With regard to the Share Matching Scheme for executives, the holding period for the shares will become invalid with immediate effect in the event of a change in control of the company. In any such case, the employer will be responsible for any tax disadvantages resulting from reduction of the holding period. Excepted from this are taxes normally incurred after the holding period.

➔ Corporate Governance, page 124 ff.

Remuneration of the Board of Management and the Supervisory Board

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.

Corporate Governance, page 124ff.

Economic parameters

Global economy only grows at slow pace

In 2012, the global economy grew at only a slow pace, affected primarily by the sovereign debt crisis in the European Monetary Union (EMU), the result of which caused the euro zone overall to fall back into a recession. Growth in the developed industrial countries in 2012 continued to slow compared with the already weak prior year. The emerging markets also saw a considerable decline in momentum. Overall and adjusted for purchasing power, global economic output in 2012 grew by only 3.2% (previous year: 3.9%). Growth in global trade weakened even further to just below 3% (IMF: 2.8%, OECD: 2.8%).

A.02 Global economy: growth indicators in 2012

%	Gross domestic product (GDP)	Exports	Domestic demand
China	7.8	7.9	n/a
Japan	1.9	−0.3	2.8
USA	2.2	3.2	2.1
Euro zone	−0.5	2.8	−2.0
Germany	0.7	4.1	−0.3

Data partially estimated, as at 30 January 2013.
Sources: Postbank Research, national statistics.

Asian countries again generated the highest economic momentum. However, the upwards trend lost a great deal of speed. Gross domestic product (GDP) was 6.6% (previous year: 8.0%) and therefore the lowest growth rate in the past decade.

In China, the government made efforts to boost domestic demand. However, it was unable to completely compensate for the negative impact of weak foreign demand. GDP only grew by 7.8% (previous year: 9.3%), the lowest rate since the start of the new millennium. Exports increased by 7.9% (previous year: 20.3%). However, because imports were down even more at 4.3% (previous year: 24.9%), the trade surplus increased considerably from US$158 billion to US$231 billion. Nevertheless, the country remained attractive to foreign investors, who made direct investments in the amount of US$111.7 billion (previous year: US$116 billion).

The Japanese economy saw a strong recovery at the beginning of the year, only to see a marked decrease over the course of the year. Exports were up only slightly overall. Since imports increased considerably at the same time, foreign trade had a noticeably adverse effect on growth. By contrast, comparatively high growth rates were seen in private consumption and investments. Overall GDP was up by 1.9% (previous year: −0.6%).

In the United States, the economy recovered slightly in the reporting year. Gross fixed capital formation was the primary driver of growth. Investments in residential housing, which saw growth percentages in the double digits, played a key role. Private consumption remained moderate and foreign trade did not provide any noteworthy stimulus either. Instead, it was further reductions in public spending that had an impact on growth. GDP increased by 2.2% (previous year: 1.8%).

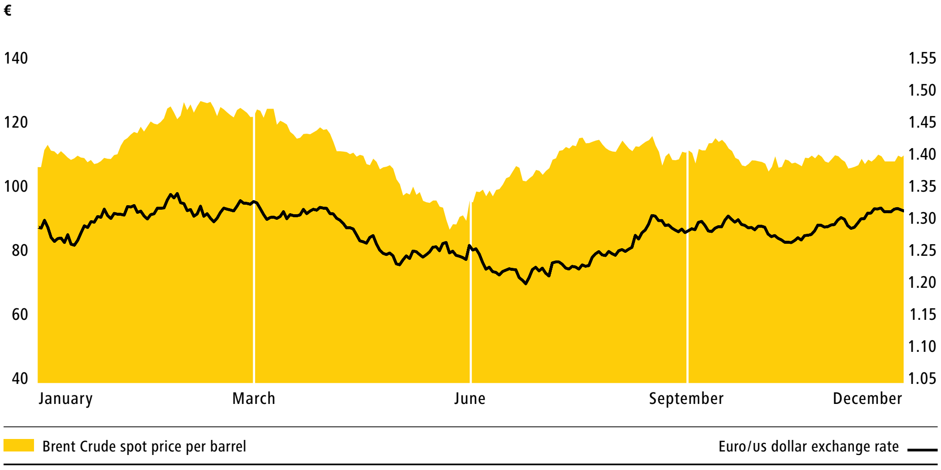
In the euro zone, economic output was down by 0.5% (previous year: +1.4%) in the reporting year as a result of the sovereign debt crisis and fiscal consolidations. Although on average real public spending in the EMU declined only slightly, spending cuts and tax increases slowed private consumption and corporate investment. Domestic demand fell by about 2%. The economic downturn was counterbalanced somewhat by foreign trade. Whilst exports increased only moderately, imports actually decreased. As a result, foreign trade saw a plus of 1.5 percentage points. The variations in growth within the euro zone remained large: whilst nearly all the southern member states experienced sharp declines in GDP and economic output in France stagnated, Germany and Austria were at least able to achieve moderate growth.

The German economy grew considerably weaker over the course of 2012. GDP only increased by 0.7% (previous year: 3.0%), driven by foreign trade. Although exports grew by only 4.1% (previous year: 7.8%), growth in imports was even more moderate. In light of the uncertain environment, companies postponed investments. This included investments in construction, which declined slightly compared with the prior year. Private consumption expanded only slightly. The upturn in the labour market came to a standstill over the course of the year. However, the average annual number of unemployed workers went down by 79,000 to around 2.9 million; the working population grew to 41.6 million.

Price of crude oil fluctuates significantly over the year

At the end of 2012, a barrel of Brent Crude was US$111.94 (previous year: US$107.55). The annual average price of oil was around US$112, only about 1% higher than in the prior year. Over the course of the year the price of oil fluctuated significantly between US$89 and US$127. At the beginning of the year, prices saw a sharp increase based on robust global economic forecasts and concerns regarding a military confrontation with Iran. Subsequently, the sovereign debt crisis in the EMU as well as the ever-growing weakness in the global economy put pressure on oil prices.

A.03 Brent Crude spot price and euro/US dollar exchange rate in 2012



Euro affected by EMU sovereign debt crisis

The European Central Bank (ECB) took additional measures at the beginning of 2012 to curb the sovereign debt crisis. At mid-year the ECB lowered its key interest rate by 0.25 percentage points to 0.75%. In August, the bank announced a new programme to purchase European government bonds. The announcement alone considerably stabilised the market. By contrast, the US Federal Reserve maintained its very expansive monetary policy. It does not intend to increase its key interest rate from the current 0% to 0.25% until the unemployment rate falls below 6.5%.

The euro and US dollar exchange rates were also shaped by the European sovereign debt crisis in the reporting year. The ECB's measures initially sent the euro to its annual high of just under US$1.35 in February; at the beginning of the second half of the year it fell to its annual low of just under US$1.21 as a result of further signs of crisis and the interest rate reduction. By the end of the year the exchange rate had climbed again to just under US$1.32, resulting in a 1.8% increase for the euro compared with the prior year. Measured against the pound sterling on the other hand, the euro posted a 2.8% loss.

Corporate bonds impacted by sovereign debt crisis and economy

The weak economy and the sovereign debt crisis in the euro zone had an impact on the bond markets. The yield on German ten-year government bonds declined in July to a new low of 1.17%, rising again moderately by the end of the year to 1.32% (previous year: 1.83%). The return on ten-year US government bonds was also under pressure during the year but had only declined by 0.12 percentage points to 1.76% year-on-year by the end of December 2012. Risk premiums for corporate bonds decreased considerably in the second half of 2012.

International trade growth varies from region to region

Trade volumes (transported quantity in tonnes) increased by around 2.5% worldwide in the reporting year. Growth varied from region to region. Intra-European trade stagnated due to the sovereign debt crisis and the resulting weak economy. Trade between emerging markets in the Asia Pacific region, Africa and the Middle East saw above-average growth.

A.04 Trade volumes: compound annual growth rate 2011 to 2012

%

Imports Exports	Africa	Asia Pacific	Europe	Latin America	Middle East	North America
Africa	9.4	8.6	12.9	0.6	1.2	–11.5
Asia Pacific	6.1	4.7	1.6	1.2	5.6	3.5
Europe	8.0	4.5	–0.4	8.1	–0.8	–1.5
Latin America	1.8	3.2	–1.9	–0.4	4.1	–4.5
Middle East	11.6	5.3	0.7	3.3	1.8	12.0
North America	–6.5	1.0	2.8	2.1	1.6	–3.6

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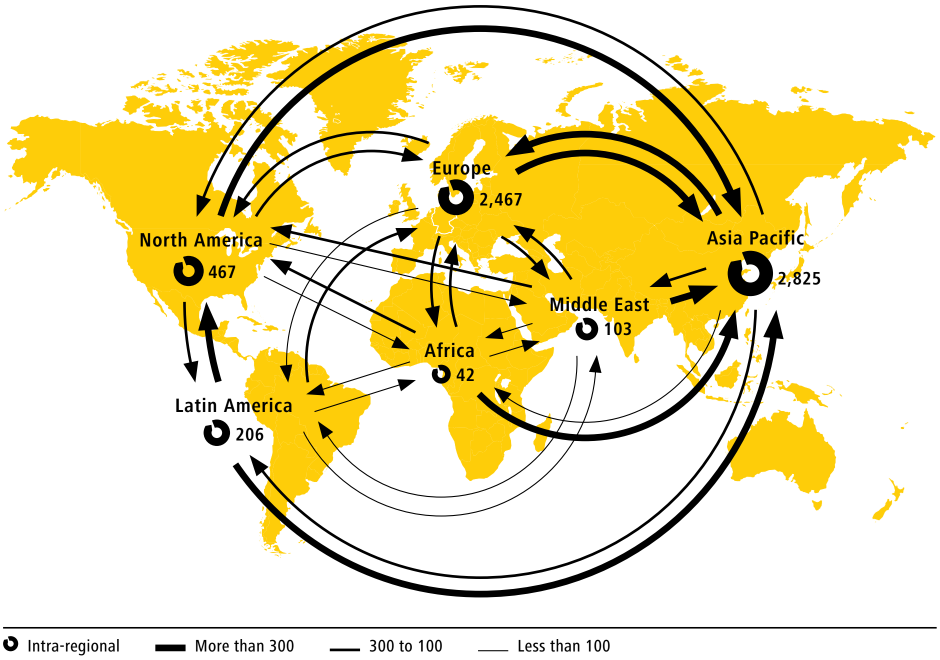
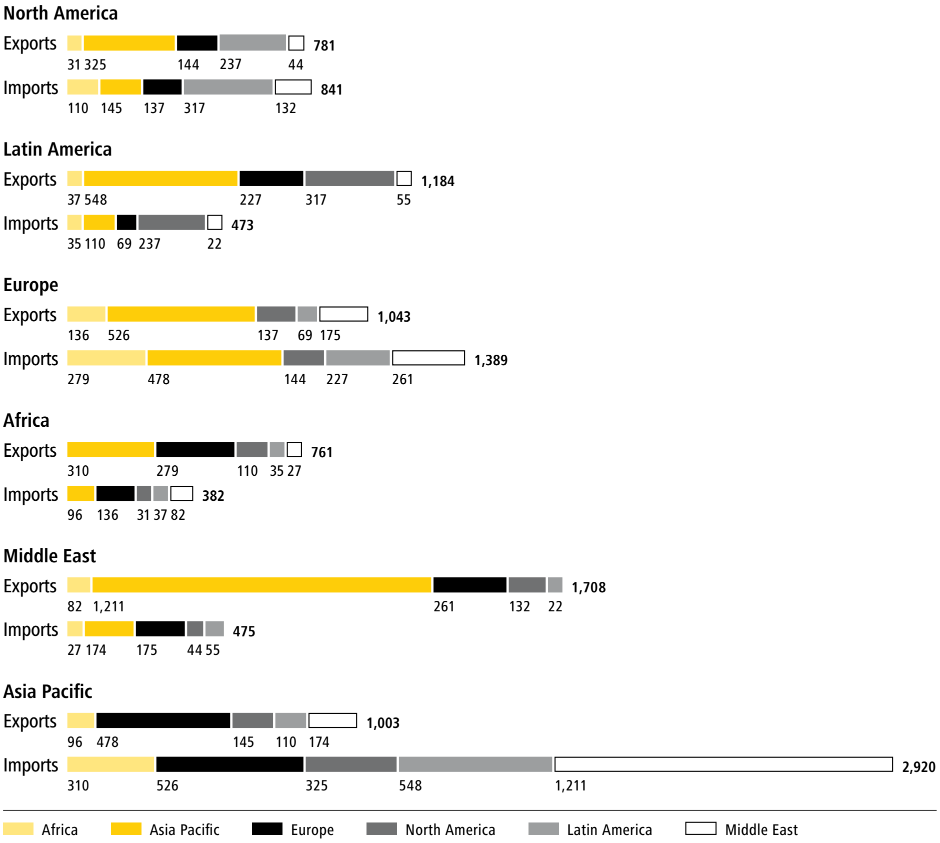
A.05 Major trade flows: 2012 volumes

million tonnes


Europe
2,467
North America
467
Asia Pacific
2,825
Middle East
103
Africa
42
Latin America
206
Intra-regional
More than 300
300 to 100
Less than 100



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Our markets

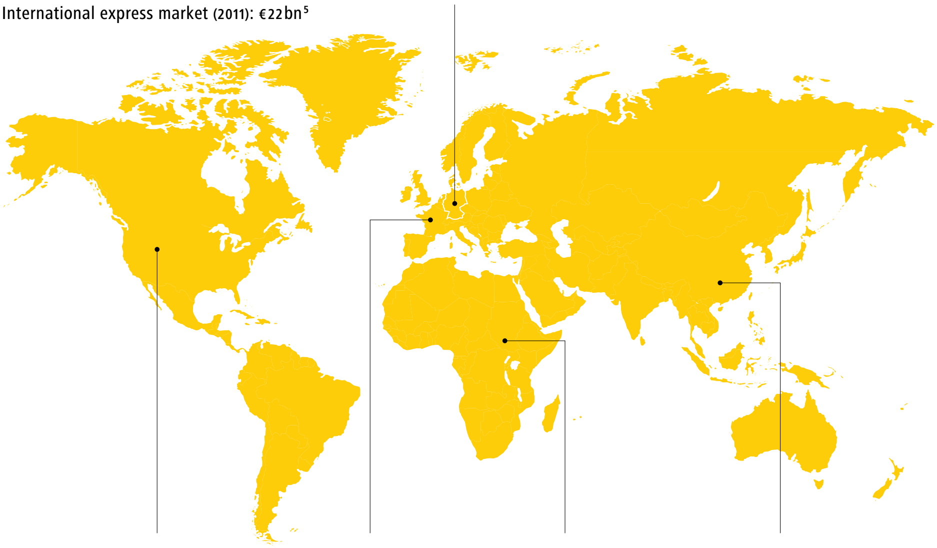
Deutsche Post DHL is represented in more than 220 countries and territories. The following table provides an overview of market volumes in key regions. The relevant market parameters and our market shares are detailed in the Divisions chapter.

Page 50ff.

A.06 Market volumes[1]

Global
Air freight (2011): 24m tonnes[2]
Ocean freight (2011): 33m TEUs[3]
Contract logistics (2011): €154bn[4]
International express market (2011): €22bn[5]

Germany
Mail communication (2012): €4.2bn[6]
Dialogue marketing (2012): €17.7bn[6]
Parcel (2012): €7.8bn[6]



Americas
Air freight (2011): 6.7m tonnes[2]
Ocean freight (2011): 6.0m TEUs[3]
Contract logistics (2011): €44.6bn[4]
International express market (2011): €7.4bn[5]

Europe
Air freight (2011): 4.2m tonnes[2]
Ocean freight (2011): 5.2m TEUs[3]
Contract logistics (2011): €58.4bn[4]
International express market (2011): €6.8bn[5]
Road transport (2011): €168bn[7]

Middle East/Africa
Air freight (2011): 1.3m tonnes[2]
Ocean freight (2011): 2.4m TEUs[3]
Contract logistics (2011): €4.3bn[4]
International express market (2011): €0.3bn[5]

Asia Pacific
Air freight (2011): 11.2m tonnes[2]
Ocean freight (2011): 18.5m TEUs[3]
Contract logistics (2011): €46.3bn[4]
International express market (2011): €7.5bn[5]

[1] Regional volumes do not add up to global volumes due to rounding.
[2] Data based solely on export freight tonnes. Source: Copyright © IHS, 2012. All rights reserved.
[3] Twenty-foot equivalent units; estimated part of overall market controlled by forwarders. Data based solely on export freight tonnes. Source: Copyright © IHS, 2012. All rights reserved.
[4] Source: Transport Intelligence.
[5] Includes express product Time Definite International. Country base: AT, BE, CH, CZ, DE, DK, ES, FR, IE, IT, NL, NO, PL, RU, SE, TR, UK (Europe); AR, BR, CA, CL, CO, CR, MX, PA, VE, US (Americas); AU, CN, HK, ID, IN, JP, KR, MY, NZ, SG, TH, TW, VN (Asia Pacific); TR, ZA (Middle East/Africa). Source: Market Intelligence 2012, annual reports and desk research.
[6] Company estimates.
[7] Country base: total for 19 European countries, excluding bulk and specialties transport. Source: MI study DHL Freight (based upon Eurostat, financial publications, IHS Global Insight).

Factors affecting our business

We routinely and systematically review the most important factors affecting our business. Beyond economic parameters, we have identified four global trends:

❶ **Globalisation:** International markets are now more interconnected than ever; however, the individual national economies are growing at varying speeds. As a result the economic influence of markets is shifting. For instance, trade to and from Asia as well as within the continent has seen a sharp increase in recent years – a trend that will continue and which is also the case in other emerging regions, such as South America and the Middle East. Both sales markets and production centres are shifting, which is increasing the complexity of the value chain. Our DHL divisions are in an above-average position in these regions and offer integrated logistics solutions worldwide.

❷ **Digitalisation:** The internet is having a lasting effect on the way we exchange goods and information. We increasingly see electronic communication taking the place of physical communication, which is reflected in a decline in the traditional mail business. Dialogue marketing revenue is also on a slow decline. In order to respond to this development, we have expanded our portfolio, for example with our E-Postbrief product and by investing in nugg.ad. The online trade boom is opening up enormous potential in our parcel business. In addition we are developing online offerings such as our online shopping portal, MeinPaket.de, and our online supermarket, allyouneed.com.

➔ Strategic focus, page 98

❸ **Climate change:** Environmental awareness is having an ever-increasing impact on the logistics industry. On the one hand, our customers are asking increasingly for climate-neutral products, and on the other hand, one of our primary concerns as the world's leading logistics company is to do our part to increase CO_2 efficiency. We not only offer our customers an extensive range of energy-saving transport options and climate-neutral products, we have also set our own efficiency goals. This includes transparent reporting instruments and efficient transport technologies.

➔ Corporate responsibility, page 76

❹ **Reliability:** The logistics industry is facing new challenges as a result of increased complexity in supply chains because this causes them to be much more prone to disruptions. Natural disasters have an impact on tightly scheduled logistics flows and political instability in a number of new markets adds to this. As a result, many customers are placing increasing importance on the robustness of their supply chains. We are working constantly to ensure the highest possible reliability and we monitor our supply chains continuously in order to be able to respond to unforeseen events. In 2011, for instance, following the devastating earthquake in Japan, we proved that we are able to ensure the quality and reliability of our services even in challenging situations.

Legal environment

In view of our leading market position, a large number of our services are subject to sector-specific regulation under the *Postgesetz* (PostG – German Postal Act). Further information on this issue and legal risk is contained in the Notes to the consolidated financial statements.

➔ Note 50

Group management

EBIT after asset charge increases

Since 2008, Deutsche Post DHL has used EBIT after asset charge (EAC) as a key performance indicator. EAC is calculated by subtracting a cost of capital component, or asset charge, from EBIT.

By including the asset charge in our business decisions, we encourage all divisions to use resources efficiently and to organise our operating business to increase value sustainably whilst generating cash flow. In the reporting year, EAC served as a key performance indicator in addition to EBIT and was also used as a basis on which to determine management remuneration.

To calculate the asset charge, the net asset base is multiplied by the weighted average cost of capital (WACC). The asset charge calculation is performed each month so that we can also take fluctuations in the net asset base into account during the year.

All of our divisions use a standard calculation for the net asset base. The key components of operating assets are intangible assets, including goodwill, property, plant and equipment and net working capital. Provisions and operating liabilities are subtracted from operating assets.

The Group's WACC is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account company-specific risk factors in a beta factor in accordance with the Capital Asset Pricing Model.

We apply a standard WACC of 8.5% across the divisions and this also represents a minimum target for projects and investments within the Group. The WACC is generally adjusted to adhere to the current situation on the financial markets. However, the goal is not to match every short-term change but to reflect long-term trends. The WACC is reviewed once annually. The WACC used reflects company-specific risks and the net cost of interest-bearing liabilities and equity in the current market environment. As in previous years, we did not change the WACC in order to prevent our internal resource allocation from being influenced by short-term, minor fluctuations in capital market interest rates. A constant WACC also ensures that EAC is comparable with previous years.

In our reporting for the prior years, the net asset base was broken down into current and non-current assets and liabilities. In the year under review, the individual components of the net asset base were regrouped to increase transparency for the drivers of asset charges in the context of internal and external reporting. The definition of the net asset base, the methods for calculating the asset charge and EAC have not changed.

EAC improved from €1,229 million to €1,323 million in 2012, primarily due to the DHL divisions' rising profitability. The asset charge increased by 11.2%, which was predominantly attributable to our high capital expenditures throughout the divisions.

A.07 EAC calculation

EBIT

⊖ Asset charge

= Net asset base
× Weighted average cost of capital

⊜ **EBIT after asset charge (EAC)**

A.08 Net asset base calculation

Operating assets

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

⊖ Operating liabilities

- Operating provisions
- Trade payables, other operating liabilities

⊜ **Net asset base**

A.09 EBIT after asset charge (EAC)

€m	2011	2012	+/– %
EBIT	2,436	2,665	9.4
⊖ Asset charge	–1,207	–1,342	–11.2
⊜ **EAC**	**1,229**	**1,323**	**7.6**

Our net asset base increased by €1,122 million to €15,478 million in the reporting year due, in part, to the Group's investments in software and IT systems and the purchase of freight aircraft as well as replacement and expansion investments in warehouses, sorting systems and our vehicle fleet. The 42.2% increase in net working capital was mainly attributable to the decline in liabilities and other items.

In addition, operating provisions recognised for restructuring in the US express business were utilised or reversed, resulting in a €99 million increase in the net asset base. Moreover, €249 million of the provisions recognised in previous years for additional VAT payments was also utilised. Both factors had reduced our net asset base as operating provisions in the prior year.

A.10 Net asset base (unconsolidated)

€m	31 Dec. 2011 adjusted[1]	31 Dec. 2012	+/– %
Intangible assets including goodwill and property, plant and equipment	18,689	18,860	0.9
⊕ Net working capital	–774	–447	–42.2
⊖ Operating provisions (excluding provisions for pensions and similar obligations)	–3,396	–2,825	–16.8
⊕ Other non-current assets and liabilities	–163	–110	–32.5
⊜ **Net asset base**	**14,356**	**15,478**	**7.8**

[1] Prior-year figures adjusted due to the regrouping of individual components of net assets.

DEUTSCHE POST SHARES

Good year on the stock market

At the beginning of the year, a positive sentiment prevailed in the equity markets due to the measures taken by the European Central Bank (ECB) to curb the sovereign debt crisis in Europe. The DAX also benefited from the comparatively positive performance of the German economy. However, over the course of the first half of the year, concerns over an economic crisis in Southern Europe rose and the global economy grew at a slower pace. This sent the international stock markets on a decline. The EURO STOXX 50 and DAX each hit their annual low in June at 2,069 and 5,969 points, respectively. At the beginning of the second half of the year, the ECB announced additional measures and the German Federal Constitutional Court ruled in favour of the permanent euro rescue fund. Stock markets displayed renewed optimism and made considerable gains by the end of the year. The DAX reached its annual high of 7,672 points on 20 December 2012 – its highest level since January 2008. It ended the year at 7,612 points – a 29.1% gain. The EURO STOXX 50 was up 13.8% year-on-year. The Dow Jones closed 2012 with a gain of 7.3% on account of the slight recovery in the US economy.

A.11 Deutsche Post shares: multi-year review

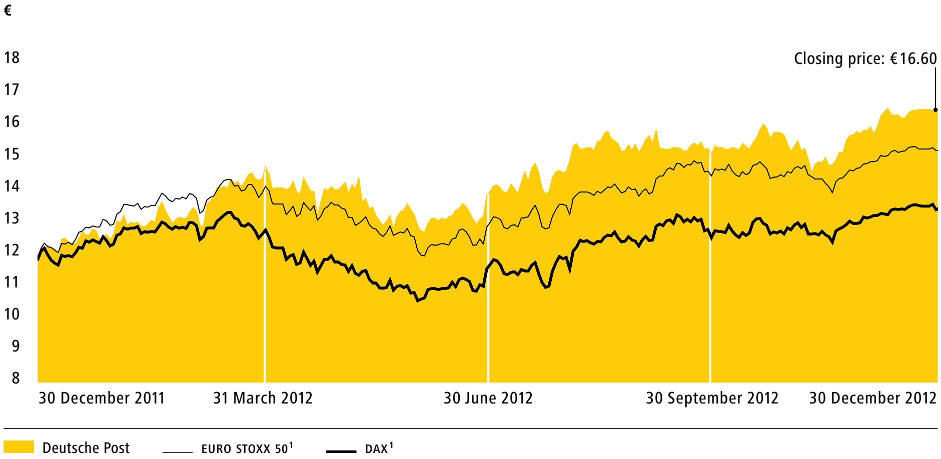
		2006	2007	2008	2009	2010	2011	2012
Year-end closing price	€	22.84	23.51	11.91	13.49	12.70	11.88	16.60
High	€	23.75	25.65	24.18	13.79	14.46	13.83	16.66
Low	€	18.55	19.95	7.18	6.65	11.18	9.13	11.88
Number of shares	millions	1,204.0[1]	1,208.2[1]	1,209.0[1]	1,209.0	1,209.0	1,209.0	1,209.0
Market capitalisation as at 31 December	€m	27,461	28,388	14,399	16,309	15,354	14,363	20,069
Average trading volume per day	shares	5,287,529	6,907,270	7,738,509	5,446,920	5,329,779	4,898,924	4,052,323
Annual performance including dividends	%	14.9	6.9	−45.5	18.3	−1.4	−1.3	45.6
Annual performance excluding dividends	%	11.5	2.9	−49.3	13.3	−5.9	−6.5	39.7
Beta factor[2]		0.80	0.68	0.81	0.91	0.95	1.19	0.88
Earnings per share[3]	€	1.60	1.15	−1.40	0.53	2.10	0.96	1.37
Cash flow per share[4]	€	3.28	4.27	1.60	−0.48	1.59	1.96	−0.17
Price-to-earnings ratio[5]		14.3	20.4	−8.5	25.5	6.0	12.4	12.1
Price-to-cash flow ratio[4, 6]		7.0	5.5	7.4	−28.1	8.0	6.1	−98.9
Dividend	€m	903	1,087	725	725	786	846	846[7]
Payout ratio	%	47.1	78.6	–	112.6	30.9	72.7	51.0[8]
Dividend per share	€	0.75	0.90	0.60	0.60	0.65	0.70	0.70[7]
Dividend yield	%	3.3	3.8	5.0	4.4	5.1	5.9	4.2

[1] Increase due to exercise of stock options ➔ Note 36.
[2] Beta three years; source: Bloomberg.
[3] Based on consolidated net profit after deduction of non-controlling interests ➔ Note 21.
[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.
[8] Excluding extraordinary effects (Postbank, additional VAT payment, reversal of provisions: 53.3%).

A.12 Peer group comparison: closing prices

		30 Sep. 2012	30 Dec. 2012	+/–%	30 Dec. 2011	30 Dec. 2012	+/–%
Deutsche Post DHL	EUR	15.20	16.60	9.2	11.88	16.60	39.7
PostNL	EUR	2.71	2.92	7.7	2.46	2.92	18.7
TNT Express	EUR	8.13	8.43	3.7	5.77	8.43	46.1
FedEx	USD	84.62	91.72	8.4	83.51	91.72	9.8
UPS	USD	71.57	73.73	3.0	73.19	73.73	0.7
Kuehne + Nagel	CHF	106.20	110.00	3.6	105.50	110.00	4.3

A.13 Share price performance



[1] Rebased to the closing price of Deutsche Post shares on 30 December 2011.

Deutsche Post shares considerably outgain the market

Deutsche Post shares performed positively over the course of 2012. The share price began the year at €11.88, which was also its lowest value. Boosted by the publication of our 2011 financial figures on 8 March 2012 and a good first quarter, our shares resisted the market trend in the first half of the year. Our Capital Markets Day on 24 May also contributed to this. In August, our interim report on the first half of the year and the upwardly adjusted forecast for the year led to further gains in the share price. In light of these conditions, on 6 September KfW Bankengruppe (KfW) placed 5% of its Deutsche Post shareholdings with investors. After we published our third-quarter financial figures on 8 November, our share price again made gains. Moreover, the capital market responded positively to the three bonds worth a total of €2.0 billion we placed with national and international investors in December. Our shares reached their annual high of €16.66 on 10 December 2012, closing the year at €16.60. This is a year-on-year gain of 39.7%; our shares have performed much better than the DAX for the second year in a row. If we take into account the reinvested dividends, our shares achieved an annual yield of 45.6% and are amongst the top ten on the DAX. Average daily trading volumes were down year-on-year to 4.1 million shares (previous year: 4.9 million shares).

➔ Note 43.1

Majority of analysts give shares a "buy" rating

At the close of 2012, 24 analysts issued a "buy" recommendation on our shares – six less than the year before. Due to the strong share performance, more analysts expect profit-taking in the medium term. As a result, the number of hold ratings increased from three to eleven. Only two analysts recommended selling, one less than in the previous year. The average price target increased from €14.66 to €17.44 during the year.

Free float increases by 5%

On 6 September 2012, KfW sold 60 million Deutsche Post shares. This was the first placement since 2006 and it reduced KfW's stake to 25.5%; free float increased to 74.5%. The share of our stock held by private investors rose year-on-year from 10.2% to 10.8%. Amongst identified institutional investors, the greatest number of shares continues to be held in the United Kingdom (13.8%); the share of US investors increased to 12.3% whilst that of institutional investors in Germany rose considerably to 11.7% (previous year: 8.2%). Our 25 largest institutional investors hold a total of 27.7% of all issued shares.

Focused investor relations work appreciated

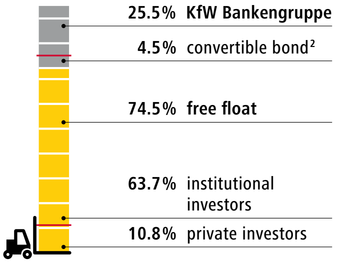
Boosted by our positive business performance, we successfully solidified the essential principles of our equity story in the reporting year. The strong growth in the parcel business was our focus in the MAIL division. In addition, two elements of uncertainty were removed with the collective agreement for employees in Germany and the increase in mail prices effective 1 January 2013, which was the first increase in 15 years. In the DHL divisions, investors and analysts appreciated our stable growth rate, especially our leading market position in Asia. We demonstrated the potential this position affords us in July at the launch of the North Asia Hub in Shanghai. At a Capital Markets Day on 24 May in London and two tutorial workshops on the SUPPLY CHAIN division, which were held in London and Frankfurt am Main in November, we provided insights into our business model and, as a result, strengthened market confidence in the medium and long-term potential of our shares.

We also made a targeted effort to communicate directly with current and potential investors, holding a total of 534 separate meetings at national and international conferences and roadshows, 164 of which involved members of our Board of Management. This dedicated work by our Investor Relations team was recognised again this year in the renowned Extel Survey conducted by Thomson Reuters. Our IR team won second place in the transport sector.

In *Manager Magazin's* annual ranking, our 2011 Annual Report took third place amongst DAX companies. Above all, the jury praised how well we presented our business model and equity story. The report also won a number of design awards, including the Red Dot, a silver in the Best of Corporate Publishing Award and a gold in the *Gute Gestaltung* (good design) contest held by the *Deutsche Designer Club*.

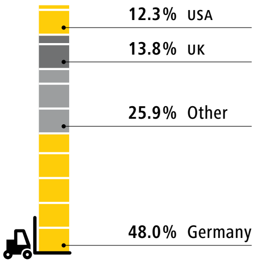
We redesigned our Investor Relations website at the end of 2011, which aimed at providing more precise and up-to-date information to analysts and investors. The site was ranked 17th in the IR Global Rankings amongst 285 participating companies from around the world.

A.14 Shareholder structure[1]



[1] As at 31 December 2012.
[2] On 23 July 2009 KfW issued a convertible bond on Deutsche Post shares (volume: 54.1 million shares). Investors can convert this bond from the first due date for interest until 30 July 2014.

A.15 Shareholder structure by region[1]



[1] As at 31 December 2012.

ECONOMIC POSITION

Overall assessment by the Board of Management

Good results achieved

We are very satisfied with the results achieved in financial year 2012. Deutsche Post DHL increased both revenue and margin. EBIT improved by nearly 10% despite the negative impact of the additional VAT payment. Thanks to our presence in the world's growth markets, the DHL divisions performed particularly dynamically. In the MAIL division, revenues were up significantly in the parcel business, which helped to compensate for moderate volume declines in the mail business. In the fourth quarter, the Group's earnings grew even more decidedly at a rate of nearly 40%. Although operating cash flow was negatively impacted by extraordinary effects from the continued funding of pension liabilities, the Group's financial position remains very solid in the opinion of the Board of Management.

Significant events

Postbank sale completed

Upon maturity of the mandatory exchangeable bond and exercise of our put option in the first quarter, we transferred the remaining shares in Postbank to Deutsche Bank. Deutsche Post AG no longer holds any shares in Postbank.

Earnings unaffected by demand for repayment of state aid

➔ Opportunities and risks, page 94 f.

Deutsche Post DHL paid the €298 million demanded by the German federal government under the European Commission's state aid ruling on 1 June 2012. In agreement with the government, the amount has been paid into a trust account and has therefore only been recorded in the balance sheet; the Group's earnings position remained unaffected.

EBIT impacted by additional VAT payment

➔ Opportunities and risks, page 90

The additional VAT payment demanded by the German tax authorities amounted to €482 million after deducting outstanding tax refund claims and was made by the end of the third quarter. Consolidated EBIT was impacted by €–181 million and net finance costs by interest expenses of €115 million during the reporting year given that we had already recognised provisions for a large part of the payment.

Provisions for restructuring of US express business reversed

A portion of the provisions recognised in connection with the restructuring of the US express business in 2009 has now been reassessed and reversed. This had a positive impact on EBIT in the amount of €99 million in the second quarter.

Pension funding improved

➔ Note 43.1

We took advantage of favourable conditions on the capital market to issue new bonds as well as a convertible bond for total proceeds of more than €3 billion. Most of the cash generated was used to continue funding our pension obligations.

Earnings

A.16 Selected indicators for results of operations

		2011	2012
Revenue	€m	52,829	55,512
Profit from operating activities (EBIT)	€m	2,436	2,665
Return on sales[1]	%	4.6	4.8
Consolidated net profit for the period[2]	€m	1,163	1,658
Earnings per share[3]	€	0.96	1.37
Dividend per share	€	0.70	0.70[4]

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Basic earnings per share.
[4] Proposal.

Changes in portfolio and reporting

In the first quarter of 2012, responsibility for the less-than-truckload and part-truckload business in the Czech Republic was transferred from the EXPRESS division to the GLOBAL FORWARDING, FREIGHT division. The previous year's segment reporting figures were adjusted accordingly.

Note 9

During the second quarter, we sold our shares in the joint ventures Express Couriers Limited, New Zealand, and Parcel Direct Group Pty Limited, Australia, to our former joint venture partner New Zealand Post. In these markets, we are now focusing on the international express business with time-definite deliveries.

In July, we acquired intelliAd Media GmbH, a specialist in search engine advertising domiciled in Munich. The company has been assigned to the MAIL division, where it is helping us to position ourselves as a central provider of technological infrastructures for online advertising.

Due to a change in contractual arrangements, the joint venture Exel Saudia LLC, which was previously proportionately consolidated, was fully consolidated in the fourth quarter. The company is part of the SUPPLY CHAIN division.

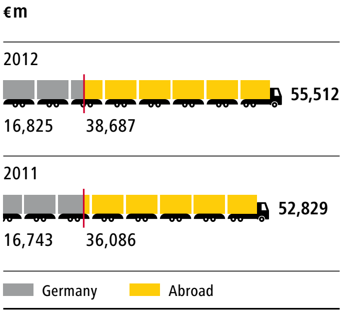
There were no other significant changes in reporting.

Consolidated revenue up 5.1%

Consolidated revenue increased by 5.1% to €55,512 million in financial year 2012 (previous year: €52,829 million). The proportion of consolidated revenue generated abroad grew from 68.3% to 69.7%, with positive currency effects accounting for €1,738 million of this increase. By contrast, changes in the portfolio reduced revenue by €216 million. In the fourth quarter, revenue rose 3.2% to €14,577 million (previous year: €14,126 million). Changes in the portfolio reduced revenue by €34 million, whilst currency effects lifted it by €233 million.

Other operating income rose by 5.8% to €2,168 million, mainly due to the reversal of surplus provisions and accruals.

A.17 Consolidated revenue



Transport costs push up materials expense

Higher transport volumes, freight costs and fuel prices pushed up materials expense by €1,319 million to €31,863 million.

Staff costs also increased, rising from €16,730 million to €17,770 million in the year under review. In the SUPPLY CHAIN division in particular, the increase in the business volume led to a rise in staff numbers. Currency effects also pushed up costs significantly.

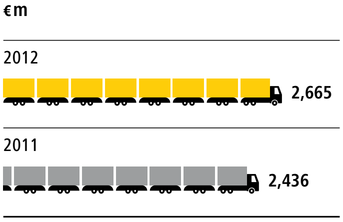
At €1,339 million, depreciation, amortisation and impairment losses were €65 million higher than in the previous year, principally as a result of investments made in the past.

Other operating expenses increased by €148 million to €4,043 million, mainly due to the additional VAT payment.

A.18 Development of revenue, other operating income and operating expenses

	€m	%	
Revenue	55,512	5.1	• Revenue increase, particularly in DHL divisions • €1.7 billion in currency effects
Other operating income	2,168	5.8	• Increase mainly due to the reversal of surplus provisions and accruals
Materials expense	31,863	4.3	• Higher transport volumes • Higher freight costs and fuel prices
Staff costs	17,770	6.2	• Increased number of staff, mostly in SUPPLY CHAIN • Increase also due to currency effects
Depreciation, amortisation and impairment losses	1,339	5.1	• Result of higher investments in the past
Other operating expenses	4,043	3.8	• Increase mainly due to additional VAT payment

A.19 Consolidated EBIT



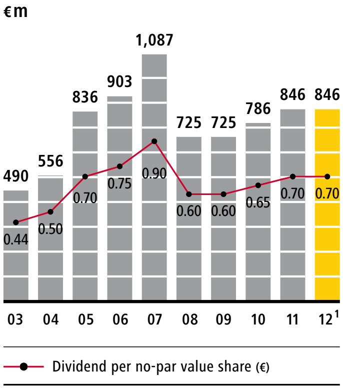
Consolidated EBIT rises 9.4% year-on-year

At €2,665 million, profit from operating activities (EBIT) was 9.4% up on the prior-year figure (€2,436 million). In the fourth quarter, EBIT was €228 million higher year-on-year at €827 million.

Net finance costs improved to €427 million (previous year: €777 million), mainly due to the disposal gain recorded on the Postbank sale.

Profit before income taxes increased from €1,659 million to €2,238 million. This caused income taxes to rise from €393 million to €458 million.

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



[1] Proposal.

Net profit and earnings per share improve

Consolidated net profit for the period rose from €1,266 million to €1,780 million. €1,658 million of this amount is attributable to shareholders of Deutsche Post AG and €122 million to non-controlling interest holders. Basic and diluted earnings per share also increased, up from €0.96 to €1.37 and €1.32 respectively.

Dividend of €0.70 per share proposed

At the Annual General Meeting on 29 May 2013, the Board of Management and the Supervisory Board will propose a dividend of €0.70 per share for financial year 2012 (previous year: €0.70) to shareholders. The distribution ratio based on the consolidated net profit attributable to Deutsche Post AG shareholders amounts to 51.0%. The net dividend yield based on the year-end closing price of our shares is 4.2%. The dividend will be distributed on 30 May 2013 and is tax-free for shareholders resident in Germany.

Financial position

Financial management is a centralised function in the Group

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

Responsibility for these activities rests with Corporate Finance at Group headquarters in Bonn, which is supported by three Regional Treasury Centres in Bonn (Germany), Weston (USA) and Singapore. These act as interfaces between headquarters and the operating companies, advise the companies on all financial management issues and ensure compliance with Group-wide requirements.

Corporate Finance's main task is to minimise financial risk 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 particularly closely the ratio of our operating cash flow to our adjusted debt. Adjusted debt refers to the Group's net debt, allowing for unfunded pension obligations and liabilities under operating leases.

Maintaining financial flexibility and low cost of capital

The Group's finance strategy builds on the principles and aims of financial management. In addition to the interests of shareholders, the strategy also takes lender requirements into account. The goal is for the Group to maintain its financial flexibility and low cost of capital by ensuring a high degree of continuity and predictability for investors.

A key component of this strategy is a target rating of "BBB+", which is managed via a dynamic performance metric known as funds from operations to debt (FFO to debt). Our strategy additionally includes a sustained dividend policy and clear priorities regarding the use of excess liquidity, part of which was to be used to gradually increase plan assets of our German pension plans. However, due to the favourable capital market conditions for companies with a high credit quality, at the end of 2012 the Group decided to increase plan assets via debt financing. In the future, excess liquidity will therefore be used for the continued gradual funding of pension liabilities, special dividends and share buy-backs.

To increase plan assets, the Group placed a convertible bond with a volume of €1 billion and two conventional bonds with a total volume of likewise €1 billion on the market. Further information on the bonds issued is contained in the Notes. The funds obtained were transferred directly to an external pension vehicle managed by the Group. The plan assets covering pension obligations to German employees nearly doubled due to the transfer. The Group expects this move to improve its operating cash flow in future years and to also have a small positive impact on its financial result and net income. The transaction has no impact on our creditworthiness since the rating agencies already take unfunded pension liabilities into account in their analyses.

➔ Note 43.1

A.21 Finance strategy

Credit rating

- Maintain "BBB+" and "Baa1" ratings, respectively.
- FFO to debt used as dynamic performance metric.

Dividend policy

- Pay out 40%–60% of net profit.
- Consider cash flows and continuity.

Excess liquidity

1. Increase plan assets of German pension plans.
2. Pay out special dividends or execute share buy-back programme.

Debt portfolio

- Syndicated credit facility taken out as liquidity reserve.
- Debt issuance programme established for issuing bonds.
- Bonds could be issued to cover long-term capital requirement.

Investors

- Reliable and consistent information from the company.
- Predictability of expected returns.

Group

- Preserve financial and strategic flexibility.
- Assure low cost of capital (WACC)[1].

[1] Weighted average cost of capital ➔ Group management, page 31f.

Funds from operations (FFO) represents operating cash flow before changes in working capital plus interest and dividends received less interest paid and adjusted for operating leases, pensions and non-recurring income or expenses, as shown in the following calculation. In addition to financial liabilities and available cash and cash equivalents, the figure for debt also includes operating lease liabilities as well as unfunded pension liabilities.

A.22 FFO to debt

€m	2011	2012
Operating cash flow before changes in working capital	2,234	219
⊕ Interest and dividends received	72	46
⊖ Interest paid	163	296
⊕ Adjustment for operating leases	1,104	1,243
⊕ Adjustment for pensions	153	130
± Non-recurring income/expenses	208	2,671
⊜ **Funds from operations (FFO)**	**3,608**	**4,013**
Reported financial liabilities	7,010	4,816
⊖ Financial liabilities related to the sale of Deutsche Postbank AG	4,344	0
⊖ Financial liabilities at fair value through profit or loss	137	117
⊕ Adjustment for operating leases	5,295	5,187
⊕ Adjustment for pensions	5,639	4,509
⊖ Surplus cash and near-cash investments[1]	2,286	1,224
⊜ **Debt**	**11,177**	**13,171**
FFO to debt (%)	**32.3**	**30.5**

[1] Surplus cash and near-cash investments are defined as cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

The "FFO to debt" dynamic performance metric declined versus the prior year, since even the improvement in funds from operations was not sufficient to offset the increase in debt.

Funds from operations increased by a total of €405 million to €4,013 million in the year under review. Even though operating cash flow before changes in working capital decreased significantly, the decline was attributable to the one-time increase in the plan assets of German pension plans (€1,986 million) and portions of the additional VAT payment (€384 million). Since the related effects are non-recurring, they were recorded under non-recurring income/expenses, which also includes operating restructuring payments (€140 million) and the interest effects of the additional VAT payment (€161 million).

Although business performance was positive in the reporting year, debt rose by €1,994 million to €13,171 million year-on-year. The primary reasons for the increase were the lower discount rates and the related increase in the present value of pension obligations, the additional VAT payment (€482 million) and the payment made in connection with the state aid proceedings (€298 million). Whereas the last two items reduced surplus cash and near-cash investments, the lower discount rates for pension obligations increased the "adjustment for pensions" considerably. However, due to the one-time, debt-financed increase in plan assets in the amount of €1,986 million, this item declined by a total of €1,130 million to €4,509 million. More information on the financial liabilities reported is contained in the Notes.

➔ Note 43

Cash and liquidity managed centrally

The cash and liquidity of our globally active subsidiaries is managed centrally by Corporate Treasury. Approximately 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' intra-group revenue is also pooled and managed by our in-house bank in order to avoid external bank charges and margins through intercompany clearing. Payment transactions are executed in accordance with uniform guidelines using standardised processes and IT systems.

Limiting market risk

The Group uses both primary and derivative financial instruments to limit market risk. Interest rate risk is managed exclusively via swaps. Currency risk is additionally hedged using forward transactions, cross-currency swaps and options. We pass on most of the risk arising from commodity fluctuations to our customers and, to some extent, use commodity swaps to manage the remaining risk. The parameters, 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 as well as providing adequate flexibility. Our most important source of funds is net cash from operating activities.

In view of our solid liquidity, the five-year syndicated credit facility with a total volume of €2 billion was not drawn down during the year under review. This facility guarantees us favourable market conditions and acts as a secure, long-term liquidity reserve. It does not contain any covenants concerning the Group's financial indicators.

As part of our banking policy, we spread our business volume widely and maintain long-term relationships with the financial institutions we entrust with our business. In addition to credit lines, we meet our borrowing requirements through other independent sources of financing, such as bonds 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.

In view of our long-term capital requirements, in 2012 we established a Debt Issuance Programme with a volume of up to €5 billion. This offers us the possibility of issuing bonds in customised tranches up to a stipulated total amount and enables us to react flexibly to changing market conditions. In June, we issued two bonds with a total volume of €1.25 billion under the programme for refinancing purposes. This was followed in December by two more conventional bonds totalling €1 billion as part of increasing the plan assets of German pension plans. The €1 billion convertible bond also used for this purpose was not issued under the Debt Issuance Programme. Further information on the various bonds is contained in the Notes.

➔ Note 43.1

Group issues sureties, letters of comfort and guarantees

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

Creditworthiness of the Group remains adequate

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 Group has a Moody's Investors Service credit rating of "Baa1". At the end of September, the rating agency raised its outlook from "stable" to "positive" as a result of the continued successful business performance and the improvement in key credit metrics.

At the end of November, we cancelled our longstanding rating agreement with Standard & Poor's for commercial reasons effective immediately, upon which the agency confirmed our "BBB+" rating with a stable outlook and then withdrew it.

Since November, we have relied on Fitch Ratings alongside Moody's to assess the creditworthiness of our Group. Fitch assigned a "BBB+" rating with a stable outlook based on our financial stability and outstanding market position in global logistics and in the German mail and parcel market.

This means that the capacity of the Group to meet its financial obligations continues to be classified as adequate. Deutsche Post DHL is well positioned in the transport and logistics sector with these ratings. The following table shows the ratings as at the reporting date and the underlying factors. The complete and current analyses by the rating agencies and the rating categories can be found on our website.

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

A.23 **Agency ratings**

	⊕ Rating factors	⊖ Rating factors
Fitch Ratings Long-term: BBB+ Short-term: F2 Outlook: stable	• Well-integrated business profile. • Dominant position in the domestic mail and parcel market. • Strong global footprint in the EXPRESS, GLOBAL FORWARDING, FREIGHT and SUPPLY CHAIN businesses. • Improvements in the financial profile after the completion of the sale of Postbank shares. • Recovery of the express business's profits and market share, offsetting the challenging macroeconomic environment.	• Exposure to regulatory and litigation risks (i.e., EU antitrust and state aid investigations). • Structural volume decline in the MAIL division due to secular changes in the industry (i.e., competition from electronic communication and digitalisation). • High exposure to global market volatility through the DHL divisions.
Moody's Investors Service Long-term: Baa1 Short-term: P–2 Outlook: positive	• Scale and global presence as the world's largest logistics company. • Large and relatively robust mail business in Germany. • Success in restoring profitability of logistics activities while reducing negative regulatory and e-substitution effects on the MAIL division. • Conservative financial policy and sound liquidity profile of the Group. • Success in strengthening credit metrics following the completion of the disposal of Deutsche Postbank (€4.3 billion of debt eliminated from the balance sheet at the end of February 2012).	• Exposure to global macroeconomic trends in the express and logistics sectors. • Declining mail volumes due to market liberalisation and the general substitution of traditional mail items with electronic communication.

Liquidity and sources of funds

As at the balance sheet date, the Group had cash and cash equivalents in the amount of €2.4 billion (previous year: €3.1 billion) at its disposal. A large portion of this is accounted for by Deutsche Post AG. Most of the cash is invested centrally on the money market. These short-term money market investments had a volume of €0.8 billion as at the balance sheet date.

The financial liabilities reported in our balance sheet break down as follows:

A.24 **Financial liabilities**

€m	2011	2012
Bonds	1,659	4,109
Due to banks	163	137
Finance lease liabilities	175	149
Liabilities to Group companies	102	93
Liabilities at fair value through profit or loss	137	117
Other	4,774	211
	7,010	4,816

The decline in financial liabilities is primarily the result of completing the sale of Postbank to Deutsche Bank, which reduced other financial liabilities by approximately €4.3 billion. By contrast, financial liabilities from bonds rose significantly, primarily due to the two conventional bonds and one convertible bond with a total volume of approximately €2 billion issued in connection with the debt-financed increase in plan assets. Further information on recognised financial liabilities is contained in the Notes.

Note 43

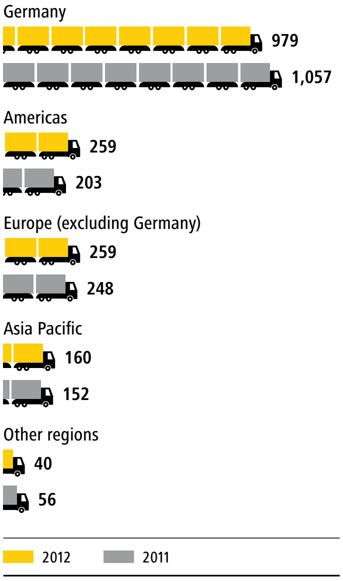
Operating leases remain an important source of funding for the Group. We mainly use operating leases to finance real estate but also aircraft, vehicle fleets and IT equipment.

A.25 **Operating lease liabilities by asset class**

€m	2011	2012
Land and buildings	5,294	5,100
Aircraft	765	647
Technical equipment and machinery	80	65
Other equipment, operating and office equipment, transport equipment, miscellaneous	486	513
	6,625	6,325

A.26 **Capex by region**

€m



Operating lease obligations decreased year-on-year to €6.3 billion because the reduction in the remaining terms of legacy agreements, especially for real estate and aircraft, is not matched by the same volume of new leases.

Capital expenditure of €1.7 billion at prior-year level

As at the end of 2012, the Group's aggregate capital expenditure (capex) amounted to €1,697 million and was thus at the same level as in the previous year (€1,716 million). Funds were used mainly to replace and increase assets as follows: €1,393 million was invested in property, plant and equipment and €304 million in intangible assets excluding goodwill. Investments in property, plant and equipment related primarily to advance payments and assets under development (€613 million), transport equipment (€278 million), technical equipment and machinery (€138 million), aircraft (€116 million) and IT equipment (€95 million).

Regionally, we invested in modernising and expanding our fixed assets, above all in Europe and North America. At the same time we increased expenditures in the Asia Pacific region and Latin America compared with the prior year.

A.27 Capex and depreciation, amortisation and impairment losses, full year

	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Group	
	2011	2012	2011 adjusted	2012	2011 adjusted	2012	2011	2012	2011	2012	2011	2012
Capex (€m)	433	332	601	597	136	150	252	300	294	318	**1,716**	**1,697**
Depreciation, amortisation and impairment losses (€m)	354	334	334	400	104	111	287	288	195	206	**1,274**	**1,339**
Ratio of capex to depreciation, amortisation and impairment losses	1.22	0.99	1.80	1.49	1.31	1.35	0.88	1.04	1.51	1.54	**1.35**	**1.27**

A.28 Capex and depreciation, amortisation and impairment losses, Q4

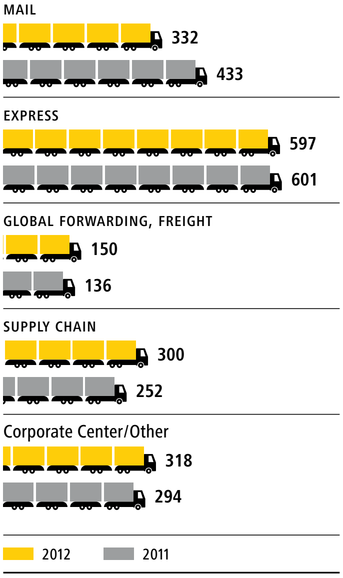
	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Group	
	2011	2012	2011 adjusted	2012	2011 adjusted	2012	2011	2012	2011	2012	2011	2012
Capex (€m)	200	141	244	173	62	54	73	85	96	109	**675**	**562**
Depreciation, amortisation and impairment losses (€m)	119	87	87	100	27	28	78	75	49	59	**360**	**349**
Ratio of capex to depreciation, amortisation and impairment losses	1.68	1.62	2.80	1.73	2.30	1.93	0.94	1.13	1.96	1.85	**1.88**	**1.61**

MAIL expands parcel network

Capex in the MAIL division fell in the reporting year from €433 million to €332 million. Investments related in particular to technical equipment and machinery, IT, other operating and office equipment as well as software. We focused mainly on expanding our parcel network as part of our Production Concept 2012 initiative and adapting network capacities to increasing shipment volumes. We also expanded our network of Packstations and our fulfilment business. In addition, we restructured our retail outlet network and further developed electronic platforms, including our E-Postbrief product. Flexible IT structures and systems were established for this purpose.

A.29 Capex by segment

€m



EXPRESS renews and expands infrastructure

In the EXPRESS division, capex remained stable at €597 million (previous year, adjusted: €601 million). To continue solidifying our market leadership, we focused on modernising and renewing our aircraft fleet. Therefore, in Aviation investments of €345 million were made for aircraft, their regulatory maintenance and related advance payments. We continued to strengthen our ground network infrastructure: the North Asia Hub in Shanghai was completed, the hubs in Cincinnati and Mexico were expanded and terminals in Italy were modernised.

GLOBAL FORWARDING, FREIGHT improves IT solutions

In the GLOBAL FORWARDING, FREIGHT division, capex increased in the reporting year from €136 million (adjusted) to €150 million. Of this figure, €117 million was attributable to the Global Forwarding business unit, where we modernised and refitted warehouses across all regions. We also improved IT solutions, especially those for the New Forwarding Environment project. A total of €33 million was invested in the Freight business unit, with the largest projects relating to buildings in Northern and Eastern Europe. In Germany our primary investments were mainly in the purchase of software as well as new office and IT equipment.

➔ Strategic focus, page 100f.

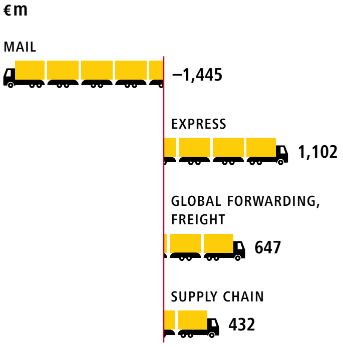
SUPPLY CHAIN invests in new business

In the SUPPLY CHAIN division, capex amounted to €300 million, which was 19% higher than the €252 million reported in the previous year. Of this amount, €276 million related to the Supply Chain business unit, €21 million to the Williams Lea business unit and €3 million to central entities. Approximately 65% of the funds were used to support new business worldwide. In the Americas region investments were made primarily in new business in the Consumer, Life Sciences & Healthcare and Retail sectors. In the UK, capital expenditure focused on new business projects and the replacement of vehicles in the Consumer and Life Sciences & Healthcare sectors. Additional investments were made in a new mega hub in Hong Kong as well as in customer projects in the Asia Pacific region. In the Williams Lea business unit, we invested primarily in IT.

Cross-divisional investments continue to increase

Cross-divisional capital expenditure for Corporate Center/Other (consisting mainly of Global Business Services) rose from €294 million to €318 million in the reporting year. The purchase of vehicles and IT investments accounted for the highest share of expenditure. Whilst expenses for vehicles fell slightly, IT investments increased significantly, above all due to licence purchases.

A.30 Operating cash flow by division, 2012



Pension funding reduces operating cash flow

Net cash used in operating activities amounted to €203 million in 2012. By contrast, a net cash inflow of €2,371 million was generated in the previous year. Net cash from operating activities before changes in working capital declined by €2,015 million to €219 million. This was largely due to the fact that we used the funds raised on the capital market to fund our pension obligations and utilised pension provisions accordingly. We also utilised provisions for the additional VAT payment. Although the improved EBIT raised cash flow from operating activities, higher income tax payments reduced operating cash flow. Non-cash income and expense amounted to €97 million. This increased EBIT but did not affect cash flow. The changes in working capital led to a cash outflow of €422 million (previous year: cash inflow of €137 million). The change in liabilities and other items in particular made a significant contribution to this development.

A.31 **Selected cash flow indicators**

€m	2011	2012
Cash and cash equivalents as at 31 December	3,123	2,400
Change in cash and cash equivalents	−305	−701
Net cash from/used in operating activities	2,371	−203
Net cash used in investing activities	−1,129	−1,697
Net cash used in/from financing activities	−1,547	1,199

At €1,697 million, net cash used in investing activities was up €568 million year-on-year. Investments in property, plant and equipment and intangible assets were the most significant item in this area, amounting to €1,639 million; these investments are described above. In addition, the recognition of the demand for repayment of state aid as a non-current financial asset in the balance sheet reduced cash flow from investing activities by €298 million. Disposals of non-current assets resulted in a net cash inflow of €299 million, higher than the previous year's figure (€285 million). In the previous year, a cash inflow of €403 million from the change in current financial assets was recorded, primarily as a result of the sale of money market funds. In contrast, a cash outflow of €10 million was recorded in the year under review.

A.32 **Calculation of free cash flow**

€m	2011	2012	Q4 2011	Q4 2012
Net cash from/used in operating activities	**2,371**	**−203**	**1,262**	**−629**
Sale of property, plant and equipment and intangible assets	211	225	17	76
Acquisition of property, plant and equipment and intangible assets	−1,716	−1,639	−646	−542
Cash outflow arising from change in property, plant and equipment and intangible assets	**−1,505**	**−1,414**	**−629**	**−466**
Disposal of subsidiaries and other business units	58	39	−1	−1
Acquisition of subsidiaries and other business units	−84	−57	−14	−1
Cash outflow arising from acquisitions/divestments	**−26**	**−18**	**−15**	**−2**
Interest received	72	46	17	10
Interest paid	−163	−296	−27	−26
Net interest paid	**−91**	**−250**	**−10**	**−16**
Free cash flow	**749**	**−1,885**	**608**	**−1,113**

Free cash flow decreased significantly year-on-year from €749 million to €–1,885 million. In the fourth quarter, it fell from €608 million in the comparable prior-year period to €–1,113 million.

Net cash from financing activities amounted to €1,199 million in the year under review, compared with a net cash outflow of €1,547 million in the previous year. The cash inflow of €3,176 million from the issuance of non-current financial liabilities is primarily attributable to the new bonds and a convertible bond that were placed on the market. Conversely, the redemption of a bond that matured in October led to a cash outflow of €679 million. The dividend payment to our shareholders increased again, from €786 million to €846 million. The proceeds from issuing shares or other equity instruments amounted to €74 million. The equity component of the convertible bond is recognised in this item.

Compared with 31 December 2011, cash and cash equivalents fell from €3,123 million to €2,400 million due to the changes in the cash flows from the individual activities.

Assets and liabilities

A.33 Selected indicators for net assets

		2011	2012
Equity ratio	%	29.2	35.6
Net liquidity (–)/net debt (+)	€m	–938	1,952
Net interest cover		26.8	10.7
FFO to debt[1]	%	32.3	30.5

[1] Calculation ➔ Financial position, page 40.

Consolidated total assets decrease

The Group's total assets amounted to €34,121 million as at 31 December 2012, €4,287 million lower than at 31 December 2011.

The sale of Postbank to Deutsche Bank was completed at the end of February and all of the associated financial instruments, assets held for sale and liabilities were derecognised.

As at the reporting date, non-current assets amounted to €21,832 million, €607 million higher than at 31 December 2011. Intangible assets declined by €45 million to €12,151 million, mainly due to a decrease in goodwill resulting from currency effects. The €170 million rise in property, plant and equipment to €6,663 million is mainly attributable to investments in vehicles and aircraft. Non-current financial assets increased by €310 million year-on-year to €1,039 million, primarily because the €298 million demanded as repayment of state aid was paid into a trust account. Other non-current assets rose by €63 million to €633 million, mainly due to the increase in pension assets. At €1,257 million, deferred tax assets were up €104 million on the figure as at 31 December 2011.

Current assets decreased by €4,894 million to €12,289 million as at the reporting date. Above all, the completion of the sale of all Postbank shares caused current financial assets to decline from €2,498 million to €252 million. The transfer of the remaining Postbank shares to Deutsche Bank also significantly reduced the assets held for sale, from €1,961 million to €76 million. At €9,112 million, receivables and other current assets remained at the prior-year level. Cash and cash equivalents declined by €723 million to €2,400 million.

At €11,951 million, equity attributable to Deutsche Post AG shareholders was €942 million higher than at 31 December 2011 (€11,009 million). Consolidated net profit for the period increased equity, whilst the dividend payment to our shareholders reduced it.

Current and non-current liabilities declined by €2,550 million to €15,651 million. It was mainly the sale of the remaining Postbank shares and the repayment of a bond that fell due in October that reduced current financial liabilities by €5,241 million to €403 million. By contrast, non-current financial liabilities increased to €4,413 million, mainly as a result of the issuance of several bonds with a total volume of €2,232 million and a convertible bond in the amount of €920 million. Overall financial liabilities were €2,194 million lower than at 31 December 2011, at €4,816 million. Trade payables were reduced by €177 million to €5,991 million. In addition, other current liabilities declined by €102 million to €4,004 million. Current and non-current provisions fell from €9,008 million to €6,306 million, mainly because pension provisions were utilised to fund pension obligations. We also reassessed and utilised restructuring provisions recognised in previous years. Further provisions were utilised in connection with the additional VAT payment.

Net debt amounts to €1,952 million

As at 31 December 2012, our net debt amounted to €1,952 million. Our net liquidity of €938 million as at 31 December 2011 was reduced in particular by the dividend payment (€846 million), the prepaid annual contribution to Bundes-Pensions-Service (€530 million), the additional VAT payment (€482 million) and the amount demanded as repayment of state aid that was transferred to a trust account (€298 million). In addition, the funding of pension obligations increased non-current liabilities. The equity ratio improved by 6.4 percentage points to 35.6%, primarily due to the disposal of Postbank. Net interest cover shows the extent to which net interest obligations are covered by EBIT. This indicator fell from 26.8 to 10.7, mainly because of the interest expense from the additional VAT payment. Net gearing was 13.8% at 31 December 2012.

A.34 Net liquidity (–)/net debt (+)

€m	2011	2012
Non-current financial liabilities	1,346	4,399
⊕ Current financial liabilities	5,588	377
⊖ Financial liabilities	6,934	4,776
⊖ Cash and cash equivalents	3,123	2,400
⊖ Current financial assets	2,498	252
⊖ Long-term deposits[1]	56	57
⊖ Positive fair value of non-current financial derivatives[1]	94	115
⊖ Financial assets	5,771	2,824
⊖ Financial liabilities to Williams Lea minority shareholders	36	0
⊖ Mandatory exchangeable bond[2]	2,926	0
⊖ Collateral for the put option[2]	1,298	0
⊕ Net effect from measurement of Postbank derivatives[3]	2,159	0
⊖ Non-cash adjustments	2,101	0
Net liquidity (–)/net debt (+)	−938	1,952

[1] Reported in non-current financial assets in the balance sheet.
[2] Reported in current financial liabilities in the balance sheet.
[3] Reported in current financial assets and liabilities in the balance sheet.

DIVISIONS

Overview

A.35 **Key figures by operating division**

€m	2011 adjusted	2012	+/– %	Q4 2011 adjusted	Q4 2012	+/– %
MAIL						
Revenue	13,973	13,972	0.0	3,853	3,851	–0.1
of which Mail Communication	5,430	5,236	–3.6	1,458	1,381	–5.3
Dialogue Marketing	2,605	2,497	–4.1	690	675	–2.2
Press Services	782	744	–4.9	201	189	–6.0
Value-Added Services	238	236	–0.8	66	64	–3.0
Parcel Germany	3,179	3,477	9.4	972	1,038	6.8
Retail Outlets	822	850	3.4	226	229	1.3
Global Mail	1,693	1,712	1.1	467	496	6.2
Pension Service	100	101	1.0	23	23	0.0
Consolidation/Other	–876	–881	–0.6	–250	–244	2.4
Profit from operating activities (EBIT)	1,107	1,051	–5.1	246	373	51.6
Return on sales (%)[1]	7.9	7.5	–	6.4	9.7	–
Operating cash flow	924	–1,445	–	487	–1,415	–
EXPRESS						
Revenue	11,691	12,778	9.3	3,100	3,342	7.8
of which Europe	5,361	5,614	4.7	1,414	1,482	4.8
Americas	1,887	2,276	20.6	489	602	23.1
Asia Pacific	3,718	4,301	15.7	996	1,121	12.6
MEA (Middle East and Africa)	856	961	12.3	232	239	3.0
Consolidation/Other	–131	–374	<–100	–31	–102	<–100
Profit from operating activities (EBIT)	916	1,108	21.0	244	279	14.3
Return on sales (%)[1]	7.8	8.7	–	7.9	8.3	–
Operating cash flow	1,132	1,102	–2.7	452	495	9.5
GLOBAL FORWARDING, FREIGHT						
Revenue	15,118	15,666	3.6	3,957	3,989	0.8
of which Global Forwarding	11,094	11,604	4.6	2,907	2,942	1.2
Freight	4,162	4,192	0.7	1,085	1,081	–0.4
Consolidation/Other	–138	–130	5.8	–35	–34	2.9
Profit from operating activities (EBIT)	440	512	16.4	130	166	27.7
Return on sales (%)[1]	2.9	3.3	–	3.3	4.2	–
Operating cash flow	670	647	–3.4	262	237	–9.5
SUPPLY CHAIN						
Revenue	13,223	14,340	8.4	3,548	3,733	5.2
of which Supply Chain	11,999	13,000	8.3	3,182	3,391	6.6
Williams Lea	1,225	1,345	9.8	367	345	–6.0
Consolidation/Other	–1	–5	<–100	–1	–3	<–100
Profit from operating activities (EBIT)	362	416	14.9	73	115	57.5
Return on sales (%)[1]	2.7	2.9	–	2.1	3.1	–
Operating cash flow	394	432	9.6	183	275	50.3

[1] EBIT/revenue.

DEUTSCHE POST

As Europe’s largest postal company, we deliver more than 64 million letters and transport more than three million parcels every working day in Germany alone. Our core market of Germany is not the only place in which we offer our services. We also transport mail and parcels internationally.

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

Value-Added Services

- Mailroom services
- Printing services
- Document management

Parcel Germany

- Parcel products
- Special services
- Packstations
- MeinPaket.de

Global Mail

- Mail import and export
- Cross-border mail and parcels
- Mail services in domestic markets outside of Germany
- Special services

Pension Service

- Database administration
- Payment processes

Customers

- 40 million households
- 3 million business customers
- 2 million retail outlet customers per working day

Network in Germany

- 82 mail centres
- 33 parcel centres
- Approximately 2,500 Packstations
- Approximately 1,000 Paketboxes
- Over 20,000 retail outlets and points of sale
- More than 64 million letters per working day
- More than 3 million parcels per working day

MAIL division

BUSINESS UNITS AND MARKET POSITIONS

The postal service for Germany

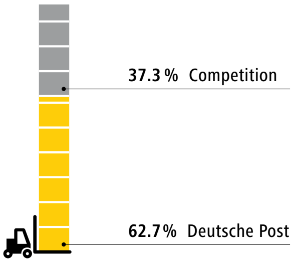
Deutsche Post DHL is Europe's largest postal company. We deliver more than 64 million letters every working day in Germany alone. We offer all types of products and services to both private and business customers, ranging from physical, hybrid and electronic letters and merchandise to special services such as cash on delivery and registered mail. Availability for our customers is always our number one priority: today, our customers can purchase stamps at retail outlets, points of sale, stamp dispensers, online and via text message.

Our E-Postbrief product provides a secure, confidential and reliable platform for electronic communication. It can be used for everything from personalised customer communication to bulk mailing. E-Postbrief allows companies, public authorities and private individuals not only to meet high security standards but also to reduce processing costs.

Our mail business is focused on Germany, where the mail market has been fully liberalised since the beginning of 2008. Since July 2010, we have been required to apply value added tax to revenues generated from business customers. Competition has intensified considerably as a result, whilst at the same time the increasing use of electronic communication is resulting in a continuing shrinkage of the German mail market. In the year under review, the market for business communications was approximately €4.2 billion (previous year: €4.3 billion). In order to more precisely reflect actual market conditions, we report on the competitive business customer market. We therefore indicate those companies that are service providers to business customers, i.e., both competitors who offer end-to-end solutions as well as consolidators who offer partial services. Our market share declined slightly from 63.7% to 62.7%.

A.36 Domestic mail communication market, business customers, 2012

Market volume: €4.2 billion



Source: company estimate.

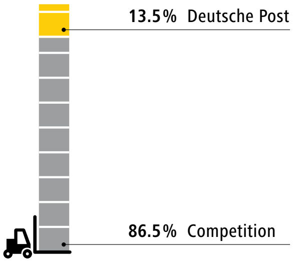
Targeted and cross-media advertising

Companies can use our solutions to design and print advertising mail themselves and send it at reasonable rates via our company. Dialogue marketing is only effective if addresses are updated constantly without breaching data protection regulations. We provide our customers with online tools and services to ensure the quality of their addresses and for the efficient identification of target groups. Companies may rent the addresses of these identified target groups from us for their own advertising campaigns as needed. We also offer customers a broad range of digital dialogue marketing solutions to use for cross-media and targeted advertising.

The German dialogue marketing market comprises advertising mail along with telephone and e-mail marketing. In the reporting year, this market shrank by 4.3% year-on-year to a volume of €17.7 billion (previous year: €18.5 billion). Some companies considerably reduced advertising expenditure, especially in the mail-order business – which included, for instance, the insolvency of Neckermann. We were able to maintain our share of this highly fragmented market at 13.5%, despite the difficult environment.

A.37 Domestic dialogue marketing market, 2012

Market volume: €17.7 billion



Source: company estimate.

Press distribution services

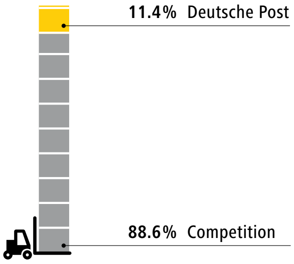
We deliver newspapers and magazines throughout Germany and on the day specified by the customer. Our Press Services business unit offers customers two main products in this context: preferred periodicals, which is the traditional method publishers use to post the publications to which their customers have subscribed, and standard periodicals, which companies primarily use to distribute customer or employee magazines via Deutsche Post DHL. We also partner with publishers to sell subscriptions to more than 500 press products both online and offline as part of our Deutsche Post *Leserservice*, a service that has seen much success. Our special services include electronic address updating as well as complaint and quality management. In addition, we offer publishers and journalists an online marketplace for journalistic content: *DieRedaktion.de*.

➔ Glossary, page 218
➔ Glossary, page 218

According to company estimates, the German press services market had a total volume of 15.1 billion items in 2012, a decline of 5.0% on the prior year. Some newspapers and magazines have been discontinued, or circulation figures or weights have decreased. Our competitors are mainly companies that deliver regional daily newspapers. In an overall shrinking market, we continued to maintain our share at 11.4%.

A.38 Domestic press services market, 2012

Market volume: 15.1 billion items



Source: company estimate.

Value-added services support mail communications

Our customers entrust us with components of their mail communications value chain. For instance, we operate their mailrooms and provide them with printing, enveloping and scanning services.

Posting and collecting parcels anytime and anywhere

Our network comprises over 20,000 retail outlets and points of sale, around 2,500 Packstations and around 1,000 Paketboxes. On the whole we transport more than three million parcels and small packages within Germany every working day.

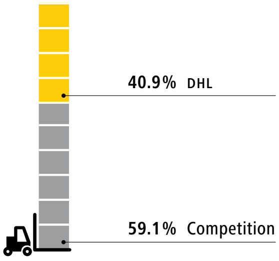
Private customers can go online to purchase shipping boxes from us, buy postage for parcels, place collection orders, track items and choose how they would like to receive them via the paket.de portal. For business customers we transport catalogues, goods and returns. We support both online buyers and sellers, a business that continues to boom, from the moment the order is placed and the purchase is made to shipping the product and hedging against non-payment. At our shopping portal, MeinPaket.de, we offer small and medium-sized retailers in particular an online platform to sell their products. We also offer our customers in Germany transport services for heavy shipments, such as furniture or large appliances.

As a strategic investor in All you need GmbH, we continue to develop the logistics infrastructure for delivering food in Germany.

The German parcel market volume totalled around €7.8 billion in 2012, nearly 6.3% more than the prior year. For years now, e-commerce has been the most important driver of growth. In 2012, business customer volumes again experienced double-digit growth and had a positive impact on growth in the mail-order and parcel services businesses. Overall, our market share in the reporting year was approximately 40.9%.

A.39 Domestic parcel market, 2012

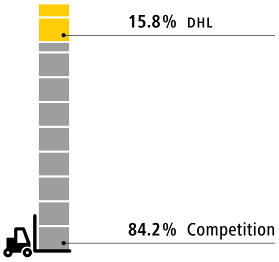
Market volume: €7.8 billion



Source: company estimate.

A.40 International mail market (outbound), 2012

Market volume: €6.8 billion



Source: company estimate.

Sending mail and parcels internationally

In addition to our core service market of Germany, we also carry mail and parcels across borders and offer international dialogue marketing services. In addition, we serve business customers in key domestic mail markets, including the United States and China. We meanwhile also offer return services to online retailers in 21 European countries.

We set ourselves apart from the competition by offering innovative products that respond to customer and market needs. Our portfolio includes international physical, hybrid and electronic written communications, giving customers the flexibility to decide what best suits their needs. Foreign customers tap into our expertise and experience in order to do business successfully in the German market. We are developing international parcel solutions for the growing e-commerce sector.

The global market volume for outbound international mail was approximately €6.8 billion in 2012 (previous year: €6.9 billion). The decline in simple letters and press products could only be compensated for in part by the increase in heavy items. Despite the difficult environment, we were able to slightly increase our market share from 15.7% to 15.8%.

REVENUE AND EARNINGS PERFORMANCE

Revenue at prior-year level on fewer working days

Despite three fewer working days, revenue in the year under review was €13,972 million and thus on par with the prior year's figure of €13,973 million. The fourth quarter contained two fewer working days than the same period in the prior year. Overall, we recorded positive currency effects of €48 million in 2012.

Reductions in volumes also due to fewer working days

In the Mail Communication business unit, the volume of letters we delivered declined overall by 3.0% year-on-year. Private customer volumes were down much more than business customer volumes. In addition to the trend towards electronic communication, the fewer working days, above all, had a noticeably negative impact. Revenue in the reporting year decreased from €5,430 million to €5,236 million; in the fourth quarter revenue was 5.3% below the prior year. Even though we retained and acquired quality-conscious customers, some of our price-sensitive customers turned to competitors. In the regulated mail sector, we kept prices stable as dictated by the price-cap procedure. The first postal rate increase in 15 years was approved for 2013.

Glossary, page 218

A.41 Mail Communication: volumes

mail items (millions)	2011	2012	+/–%	Q4 2011	Q4 2012	+/–%
Business customer letters	6,564	6,403	–2.5	1,697	1,643	–3.2
Private customer letters	1,245	1,175	–5.6	362	341	–5.8
Total	**7,809**	**7,578**	**–3.0**	**2,059**	**1,984**	**–3.6**

Unaddressed advertising mail up slightly

In the Dialogue Marketing business unit, total sales volumes declined slightly over the course of the year. Unaddressed advertising mail was up year-on-year, whilst addressed advertising mail declined. The mail-order business continued to hold back on advertising expenditures. Moreover, the insolvency of our customer Neckermann and three fewer working days had a clearly noticeable impact. As a result, revenue in this business unit decreased by 4.1% in the reporting year to €2,497 million (previous year: €2,605 million). The quarter-on-quarter decline was less pronounced.

A.42 Dialogue Marketing: volumes

mail items (millions)	2011	2012	+/– %	Q4 2011	Q4 2012	+/– %
Addressed advertising mail	6,123	5,869	–4.1	1,660	1,607	–3.2
Unaddressed advertising mail	4,105	4,197	2.2	1,149	1,158	0.8
Total	**10,228**	**10,066**	**–1.6**	**2,809**	**2,765**	**–1.6**

Press services revenue down

Revenue in the Press Services business unit totalled €744 million in the reporting year, 4.9% below the prior-year figure of €782 million. Circulation figures continued their downwards trend in the German press services market and some publications were discontinued. Average publication weights were also down.

Value-added service business stable

Revenue in the Value-Added Services business unit was €236 million in the reporting year, 0.8% less than the revenue generated in the prior year (€238 million). The decline is mainly attributable to the effect of fewer working days in the fourth quarter.

Parcel business growth consistently strong

In our Parcel Germany business unit, revenue in the reporting year was €3,477 million, exceeding the prior-year figure of €3,179 million by a substantial 9.4%. Fourth-quarter growth was 6.8% to €1,038 million and therefore slightly lower on account of the fewer working days. The flourishing e-commerce business is the primary reason for this consistently strong growth. Our range of products and delivery services is playing a key role in this.

A.43 Parcel Germany: volumes

parcels (millions)	2011	2012	+/– %	Q4 2011	Q4 2012	+/– %
Business customer parcels[1]	755	835	10.6	226	244	8.0
Private customer parcels	115	120	4.3	39	40	2.6
Total	**870**	**955**	**9.8**	**265**	**284**	**7.2**

[1] Including intra-group revenue.

Retail outlets generate increased revenue

Revenue generated by the more than 20,000 retail outlets and sales points amounted to €850 million in the reporting year, a 3.4% increase over the prior year (€822 million). Growth in the fourth quarter amounted to 1.3% despite fewer working days. Amongst other things, pleasing parcel growth positively impacted revenue development.

Positive performance in international mail business

In the Global Mail business unit, volumes declined year-on-year because we discontinued the bulk mail business in the Netherlands and the domestic business in the UK. Full-year revenue increased by 1.1% to €1,712 million, in the fourth quarter by 6.2% to €496 million. Positive currency effects increased revenue in the reporting year by €48 million. The domestic business in the United States saw an especially encouraging development.

A.44 Mail International: volumes

mail items (millions)	2011	2012	+/– %	Q4 2011	Q4 2012	+/– %
Global Mail	2,987	1,900	–36.4	638	515	–19.3

Earnings below prior year due to additional VAT payment

➔ Significant events, page 36

EBIT in the MAIL division was €1,051 million in financial year 2012, 5.1% below the prior-year figure of €1,107 million. It was reduced by €151 million as a result of the additional VAT payment. Through strict cost management, we were able to compensate for most of the other impacts on earnings resulting from increased wages, market trends and the insolvency of Neckermann. Return on sales was 7.5%. EBIT amounted to €373 million in the fourth quarter of 2012. This was 51.6% more than in the prior year (€246 million), which had included a one-time salary payment to our employees.

➔ Significant events, page 36

Operating cash flow was €–1,445 million and therefore significantly below the prior year (€924 million). This includes the effects from the additional VAT payment (€–290 million) as well as funding of our pension obligations (€–1,897 million). Working capital in the reporting year was €–616 million.

DHL

As an international express service provider, an air, ocean and road freight forwarder, as well as a supply chain specialist, we offer our customers an extensive range of integrated logistics solutions. With a network that spans the globe, we are amongst the leading providers in our business segments. We continuously improve our services in order to meet our customers' needs.

EXPRESS

Products

- DHL Time Definite
- DHL Same Day
- DHL Day Definite

Regions

- Europe
- Americas
- Asia Pacific
- MEA (Middle East and Africa)

Network

- > 220 countries and territories
- 3 main global hubs
- 36,750 Service Points
- 2.6 million customers
- 31,500 vehicles

GLOBAL FORWARDING, FREIGHT

Regions

Global Forwarding

- Worldwide
- > 150 countries and territories

Freight

- Europe, CIS, the Middle East, North Africa, USA
- > 50 countries

Locations

Global Forwarding

- > 850 branches

Freight

- > 160 branches

Products

Global Forwarding

- Air freight
- Ocean freight
- Industrial projects
- Transport management
- Customs clearance

Freight

- Full truckload
- Part truckload
- Less than truckload
- Intermodal transport

SUPPLY CHAIN

Supply Chain logistics solutions

- Warehousing
- Distribution
- Managed transport
- Value-added services
- Business process outsourcing
- Supply Chain management and consulting

Supply Chain focus sectors

- Consumer
- Retail
- Technology
- Life Sciences & Healthcare
- Automotive
- Energy

Williams Lea services

- Marketing Solutions
- Office Document Solutions
- Customer Correspondence Management

Supply Chain products

- Lead Logistics Provider
- Packaging Services
- Maintenance & Repair Operations
- Technical Services
- Life Sciences & Healthcare Platform
- Airline Business Solutions
- E-Fulfilment
- Environmental Solutions

EXPRESS division

BUSINESS UNITS AND MARKET POSITIONS

World market leader for international express services

In the EXPRESS division, we transport urgent documents and goods reliably and on time from door to door. Our network spans more than 220 countries and territories, in which some 100,000 employees provide services for more than 2.6 million customers. As a global network operator that applies standardised processes, we are well aware that the quality of our services and the satisfaction of our customers are crucial in determining our success. That is why we are constantly optimising our service to keep our customer commitments and respond specifically to customers' wishes. It is not by accident that DHL is the world market leader in international express services.

Portfolio of time-definite products simplified and strengthened

International time-definite courier and express shipments are our core business. Our main product, Time Definite, offers delivery as fast as possible. Our premium Time Definite product with guaranteed pre-12 delivery and money-back guarantee was substantially expanded in 75 destination countries, creating more than a million additional postcode combinations where our customers benefit from our improved range of services.

➔ Glossary, page 218

Our portfolio is complemented by special industry-specific services such as Collect and Return and Medical Express. Customers in high-tech industries in particular use Collect and Return, in which critical goods in need of repair are collected from the end user, taken in for repair and then returned to the user.

DHL has also increased activities for customers in the Life Sciences & Healthcare sector. In the year under review, we began offering various types of thermal packaging for temperature-controlled, chilled and frozen contents. These types of packaging are easy to order from our regional supply centres.

In addition, we have extended our network. For example, the number of our Service Points increased to the current 36,750, 1,000 were added in emerging markets and in Africa alone. At these Service Points, customers paying directly can purchase our Express Easy product even if they do not have a customer account. This simple product with its transparent price and weight categories and recyclable packaging is gaining steadily in popularity.

To allow us to concentrate on our core business of international time-critical shipments, we are offering our Economy Select product in the Day Definite area in fewer markets than before.

Our airline – customer-centric and environmentally conscious

Our dedicated air network consists of several airlines, some of which we own 100%. With 3.0 million transported tonnes, DHL is one of the leading international freight carriers. We improve our service continuously. In March 2012, we put another around-the-world route into operation between Hong Kong and Leipzig via Los Angeles. We can now offer even more customers in Asia next-day delivery to the western United States and Canada. Customers in both these regions also benefit from collection times that are up to three hours later for shipments to Europe via our hub in Leipzig. To meet rising demand in the B2C sector, we opened a new flight route between the USA and Australia in July 2012. This increased capacity and decreased delivery time from Cincinnati to Sydney by one day.

➔ Glossary, page 218

We operate our aircraft fleet with both economical and ecological aspects in mind. In the United States, for instance, the old Douglas DC-8s were replaced with newer, more fuel-efficient Boeing 767s in the year under review. In addition, we have deployed two Boeing 747-8s on the high-frequency route between Hong Kong and Cincinnati. The Boeing 747-8, which is currently the most modern freight aircraft available, offers more room than similar models whilst using less fuel.

Market lead expanded in the global express business

DHL has succeeded in expanding its leading position in the international express business. As in the previous year, we led the international express market in all regions outside of the Americas by a wide margin.

Leading position in Europe strengthened

Although the European economy had already softened in 2011, we raised our market share in the international express segment from 38% to 41%, thus remaining the market leader. This testifies to the fact that our strategy holds firm even in difficult times.

Increased presence in the Americas region

Our focus on the international express business has continued to prove successful in the Americas region. We succeeded in growing our presence in this market, with an increase in our share from 13% to 16% in 2011.

After having expanded our global hub in Cincinnati in 2011, in March 2012 we broke ground for an additional expansion. This will create around 280 new jobs. Given that business in the region is developing well and we see high long-term potential, we opened a new hub in Mexico in September 2012.

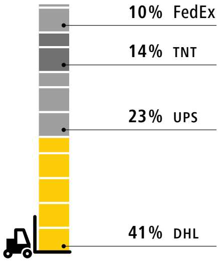
Market leadership solidified in Asia

Asia is an important and profitable market for us. We also solidified our leading market position in this region in 2011 with a rise of four percentage points to 40%.

Since 2012, we have also been offering customers in Asia our Collect and Return service. The completion of our North Asia Hub in Shanghai puts us in an excellent position for the future. Our customers now have faster access to international markets and benefit from earlier delivery times.

A.45 European international express market, 2011[1, 2]: top 4

Market volume: €6,813 million

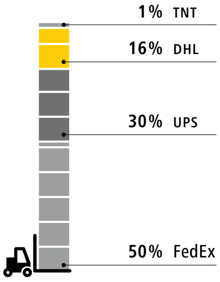


[1] Includes the TDI express product.
[2] Country base: AT, BE, CH, CZ, DE, DK, ES, FR, IL, IT, NL, NO, PL, RU, SE, TR, UK.

Source: Market Intelligence 2012, annual reports and desk research.

A.46 The Americas international express market, 2011[1, 2]: top 4

Market volume: €7,352 million

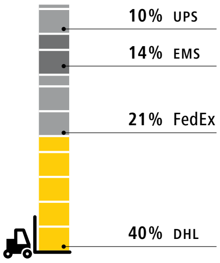


[1] Includes the TDI express product.
[2] Country base: AR, BR, CA, CL, CO, CR, MX, PA, VE, US.

Source: Market Intelligence 2012, annual reports and desk research.

A.47 Asia Pacific international express market, 2011[1, 2]: top 4

Market volume: €7,487 million



[1] Includes the TDI express product.
[2] Country base: AU, CN, HK, ID, IN, JP, KR, MY, NZ, SG, TH, TW, VN.

Source: Market Intelligence 2012, annual reports and desk research.

Reliable partner in countries affected by political crises

Effective 1 January 2012, we aligned the structure of our regions to reflect management responsibility. We transferred Turkey as well as Russia and other Eastern European countries from the EEMEA region (Eastern Europe, the Middle East and Africa) to the Europe region. The EEMEA region was renamed MEA (Middle East and Africa). We have been growing steadily in this region for many years and we have the largest market share by far in the international express business. Since there are no studies that sufficiently cover the market in its new form, we have not included any such portrayal.

The political unrest in the Middle East posed a particular challenge for us in the reporting year. We were able to maintain service in Syria despite having to close or move branches at short notice. This was also the case in Afghanistan, Bahrain, Iran and Yemen, where we remained a reliable partner for our local customers whilst upholding all legal requirements and ensuring our employees' safety.

REVENUE AND EARNINGS PERFORMANCE

Increased revenue growth in the time-definite business

In the EXPRESS division, revenue grew by 9.3% in the reporting year to €12,778 million (previous year, adjusted: €11,691 million). The figure for the previous year still included revenue of €220 million related to the divested domestic express businesses in China, Canada, Australia and New Zealand. Excluding these divestments and positive currency effects of €513 million, revenue grew by 6.8%.

In the Time Definite International (TDI) product line, per-day shipment volumes rose by 9.4% in 2012 compared with the prior year. Fourth-quarter growth even reached the double digits. Weight per shipment increased by 3.7% in the reporting year.

In the Time Definite Domestic (TDD) business, our customers sent 9.3% more shipments each day in the reporting year than in the prior year. Here as well, growth was even more pronounced in the fourth quarter at 14.7%. In contrast, per-day shipment volumes in the Day Definite Domestic (DDD) business declined by 14.0% in the year under review, due especially to the disposals mentioned above.

Effective 1 January 2012, responsibility for the domestic less-than-truckload and part-truckload business in the Czech Republic was transferred from the EXPRESS division to the Freight business unit. The previous year's segment reporting figures were adjusted accordingly.

A.48 **EXPRESS: revenue by product**

€m per day[1]	2011 adjusted	2012	+/– %	Q4 2011 adjusted	Q4 2012	+/– %
Time Definite International (TDI)	28.9	31.2	8.0	30.8	33.5	8.8
Time Definite Domestic (TDD)	5.0	4.6	–8.0	5.0	4.5	–10.0
Day Definite Domestic (DDD)	3.4	2.8	–17.6	3.2	2.9	–9.4

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

A.49 **EXPRESS: volumes by product**

thousands of items per day[1]	2011 adjusted	2012	+/– %	Q4 2011 adjusted	Q4 2012	+/– %
Time Definite International (TDI)	542	593	9.4	579	640	10.5
Time Definite Domestic (TDD)	686	750	9.3	689	790	14.7
Day Definite Domestic (DDD)	342	294	–14.0	330	316	–4.2

[1] To improve comparability, product revenues were translated at uniform exchange rates. These revenues are also the basis for the weighted calculation of working days.

Encouraging rise in volumes in the Europe region

Although the economic situation in Europe was tense in 2012, revenue in the Europe region increased by 4.7% to €5,614 million (previous year, adjusted: €5,361 million). This figure includes positive currency effects of €73 million related mainly to our business activities in the UK, Switzerland, Scandinavia, Russia and Turkey. Excluding these effects, revenue growth was 3.4%. Daily shipment volumes in the reporting year grew by 9.0% in the TDI product line; in the fourth quarter, the growth was 9.1%.

Highly dynamic business trend in the Americas region

Our business trend was particularly dynamic in the Americas region, especially in the United States. Revenue increased by 20.6% to €2,276 million in 2012 (previous year: €1,887 million). This figure includes the sale of our domestic express business in Canada in the amount of €97 million and positive currency effects of €168 million. Excluding these effects, the revenue increased exceptionally by 16.9% in the region, due in particular to the good US business as well as higher revenues in Mexico. In the Americas region the daily shipment volumes for the TDI product line improved by 8.1% year-on-year. In the fourth quarter, they rose by 6.6%.

Strong growth in the Asia Pacific region continues

The express business in the Asia Pacific region performed very well during the entire financial year. Revenue increased by 15.7% to €4,301 million (previous year: €3,718 million). In the prior year, this figure still included revenues related to the divested domestic express businesses in China, New Zealand and Australia in the amount of €123 million. Excluding these disposals and positive currency effects of €256 million, revenue grew by 12.1% year-on-year.

In the TDI product line, our customers sent 11.1% more shipments per day than in the previous year. Especially noticeable were the increases in the BRIC+M countries of China (19.7%) and India (15%). In the fourth quarter, the growth was 15.0% and was therefore stronger than the trend for the entire year.

Business grows stably in the MEA region

In the MEA (Middle East and Africa) region, revenue increased by 12.3% in the reporting year to €961 million (previous year, adjusted: €856 million), despite the fact that the fourth-quarter growth trend decreased slightly year-on-year to 3.0%. The revenue figure includes positive currency effects of €40 million for the financial year as a whole. Excluding these effects, revenue growth was 7.6%. Daily shipment volumes rose by 6.6% in the TDI product line and grew by as much as 16.1% in the TDD product line.

EBIT reaches new record

➔ Significant events, page 36

EBIT for the EXPRESS division rose to €1,108 million in the reporting year and thus reached a new high (previous year, adjusted: €916 million). The increase was driven by revenue growth in all regions as well as one-time effects in the second quarter: a portion of the restructuring provisions in the United States was reassessed and reversed, resulting in a positive impact on EBIT of €99 million. Earnings were also positively impacted by deconsolidation income of €44 million from the sale of our domestic businesses in New Zealand and Australia. The additional VAT payment in Germany for past financial years had a negative effect of €30 million on EBIT for the division.

EBIT for the fourth quarter of 2012 improved from €244 million to €279 million year-on-year. Return on sales rose to 8.7% for the reporting year (previous year: 7.8%) and 8.3% for the fourth quarter (previous year: 7.9%).

Due to higher income and strict working capital management, operating cash flow amounted to €1,102 million in the year under review (previous year, adjusted: €1,132 million).

GLOBAL FORWARDING, FREIGHT division

BUSINESS UNITS AND MARKET POSITIONS

The air, ocean and road freight forwarder

With its business units Global Forwarding and Freight, DHL is the Group's air, ocean and road freight forwarder. Our services extend from standardised container transport to highly specialised end-to-end solutions for industrial projects, and solutions tailored to specific sectors. A team of approximately 42,000 employees around the world strives to continuously improve our services in order to meet our customers' needs.

Our business model is very asset-light, as it is based on the brokerage of transport services between our customers and freight carriers. This allows us to consolidate shipments to achieve higher volumes, purchase cargo space at better conditions and optimise our network utilisation. Thanks to our global presence, we are able to offer a variety of routing options and meet our customers' increasing demand for multimodal shipments.

➔ Glossary, page 218

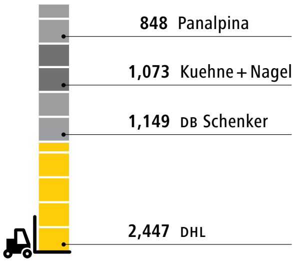
The leader in a softer air freight market

The air freight market showed signs of weakness in 2012. Although volumes in the first half of the reporting year did not decline as much as in the second half of the previous year. According to IATA, the global airline industry association, worldwide freight tonne kilometres flown in 2012 dropped by 2.6% by the end of June. Airlines have responded to the lower demand by expanding overall capacity only slightly, by 0.83% (as at June 2012). Whilst passenger capacities were increased, freight capacities were decreased.

In its air freight business, DHL transports a significant share of the world's technology and manufacturing products. Transport volumes vary by sector: the Technology sector saw a decline in the reporting year whilst the Engineering & Manufacturing and Automotive sectors experienced increases. Since we have an especially large share of air freight business in the Technology sector, our overall tonnage performance was slightly below the market average. Cost pressure drove some of our largest customers in particular to shift parts of their business from air to ocean freight, which is more economical for them. After transporting 2.44 million export freight tonnes in 2011, we remained the air freight market leader in 2012.

A.50 Air freight market, 2011: top 4

thousand tonnes[1]



[1] Data based solely on export freight tonnes.
Source: annual reports, publications and company estimates.

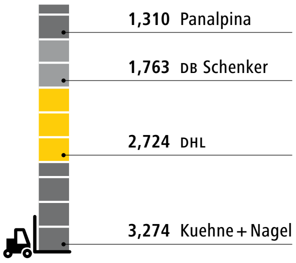
Ocean freight market on steady but moderate rise

The ocean freight market showed steady but moderate growth in the reporting year. However, the traditional peak season in the fourth quarter was nearly absent. Overall market growth was 1.9% (as at December 2012), DHL outperformed this with a growth rate of 4.2% (as at December 2012). The increase in ocean freight was mainly fuelled by intra-Asian and strong European exports, whilst volumes declined on the traditional Asia-Europe and Asia-North America trade lanes.

The decline in freight rates observed in the prior year came to an end in 2012. Ocean carriers made a series of general rate increases, which decreased the effective capacity in the market to the point that overall vessel use was high throughout the entire year. After transporting 2.72 million twenty-foot equivalent units in 2011, we remained the second largest provider of ocean freight services in 2012.

A.51 Ocean freight market, 2011: top 4

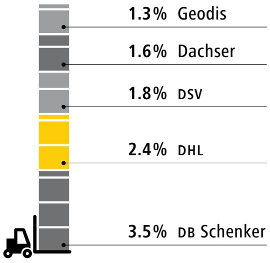
thousand TEUs[1]



[1] Twenty-foot equivalent units.
Source: annual reports, publications and company estimates.

A.52 European road transport market, 2011: top 5

Market volume: €168.6 billion[1]



[1] Country base: total for 19 European countries, excluding bulk and specialities transport.

Source: MI study, DHL 2012 (based on Eurostat, financial publications, IHS Global Insight).

Road freight market growth slows

Driven by the challenging macroeconomic environment, growth in the European road freight market slowed over the course of 2012. The annual average was 0% to 2% (previous year: 3% to 5%). Whilst the market in Germany and other parts of Central Europe saw satisfactory growth developments, several Southern European countries recorded a decline. DHL's Freight business unit continued to be one of the leading providers in the European market, with a share of 2.4% in 2011. Our revenue growth matched that of the overall market.

REVENUE AND EARNINGS PERFORMANCE

Freight forwarding business grows profitably in weak market

The GLOBAL FORWARDING, FREIGHT division increased revenue in the reporting year by 3.6% to €15,666 million (previous year, adjusted: €15,118 million). This figure includes positive currency effects of €507 million. Revenue growth in the freight forwarding business was moderate throughout 2012. The market weakened noticeably and the economic environment remained uncertain. Our business grew profitably despite this.

In the Global Forwarding business unit, revenue increased by 4.6% in the reporting year to €11,604 million (previous year: €11,094 million). When adjusted for the positive currency effects of €467 million, we saw growth of 0.4%. Gross profit increased by 7.6% to €2,655 million (previous year: €2,468 million).

➔ Strategic focus, page 100f.

Our project New Forwarding Environment made encouraging progress.

Gross profits in air and ocean freight at good level

In the reporting year, revenue declined year-on-year in the air freight business and grew in the ocean freight business. Consequently, shipping volumes trended as follows: air freight was down and ocean freight was up. Overall, the margins and therefore gross profit were stabilised at a good level.

Air freight volumes decreased by 5.3% year-on-year, primarily on account of the decline in demand in the technology sector. The decline was slowed in the fourth quarter with the slight rise of freight rates, especially on freight lines from Asia. On the short-term spot market, options became available at times due to the continued availability of surplus capacities, which resulted from the relatively strong rise in passenger flight capacities compared with a relatively weak decline in air freight capacities. Revenue was down in the reporting year by 1.0% and in the fourth quarter by 2.7%. Gross profit improved by 2.9% in the reporting year.

A.53 **Global Forwarding: revenue**

€m	2011	2012	+/– %	Q4 2011	Q4 2012	+/– %
Air freight	5,573	5,517	–1.0	1,436	1,397	–2.7
Ocean freight	3,544	3,738	5.5	895	921	2.9
Other	1,977	2,349	18.8	576	624	8.3
Total	**11,094**	**11,604**	**4.6**	**2,907**	**2,942**	**1.2**

A.54 **Global Forwarding: volumes**

thousands		2011	2012	+/– %	Q4 2011	Q4 2012	+/– %
Air freight	tonnes	4,378	4,147	–5.3	1,105	1,070	–3.2
of which exports	tonnes	2,447	2,327	–4.9	624	606	–2.9
Ocean freight	TEUs[1]	2,724	2,840	4.3	682	701	2.8

[1] Twenty-foot equivalent units.

Volumes in our ocean freight business in 2012 were 4.3% higher than in the prior year. Whilst demand stagnated on the traditional east-west trade lanes, it rose on north-south and transcontinental routes, above all in Asia. A number of our suppliers put large, new ships into operation in the fourth quarter, which improved purchasing conditions in the market. Revenue and gross profit both grew by 5.5% in the reporting year.

Our industrial project business (in table A.53 reported as part of Other) grew strongly in the reporting year. The share of revenue reported under Other related to the industrial project business increased to 38.7% (previous year: 35.6%). Gross profit also improved again.

Stable growth in overland transport business

The Freight business unit generated revenue of €4,192 million in 2012, exceeding the previous year's adjusted figure of €4,162 million by 0.7%. This includes positive currency effects of €41 million. Excluding these effects, revenue was slightly below the previous year's figure by 0.3%. Volumes declined primarily in Scandinavia and the Benelux countries. We generated higher revenue mainly in Germany and Eastern Europe. Business from Standard Forwarding in the United States represented 1.7% of the total revenue of the Freight business unit in the reporting year. We acquired this business in June 2011 to drive our overland transport business outside of the European core market. Despite persistent pressure on margins, gross profit was €1,155 million, which exceeded the prior-year figure by 6.0% (previous year, adjusted: €1,090 million).

Effective 1 January 2012, responsibility for our domestic less-than-truckload and part-truckload business in the Czech Republic was transferred from the EXPRESS division to Freight. The previous year's segment reporting figures were adjusted accordingly.

EBIT increases due to high gross profit margins

EBIT in the division improved by 16.4% to €512 million (previous year, adjusted: €440 million) due to high gross profit margins and constantly increasing efficiency. Return on sales amounted to 3.3% (previous year: 2.9%).

Fourth-quarter earnings growth was even greater, increasing 27.7% to €166 million (previous year, adjusted: €130 million). Return on sales in the fourth quarter improved year-on-year from 3.3% to 4.2%.

Net working capital declined compared with the prior year as a result of improved receivables management. Operating cash flow was €647 million and therefore slightly below the adjusted prior-year figure of €670 million.

SUPPLY CHAIN division

BUSINESS UNITS AND MARKET POSITIONS

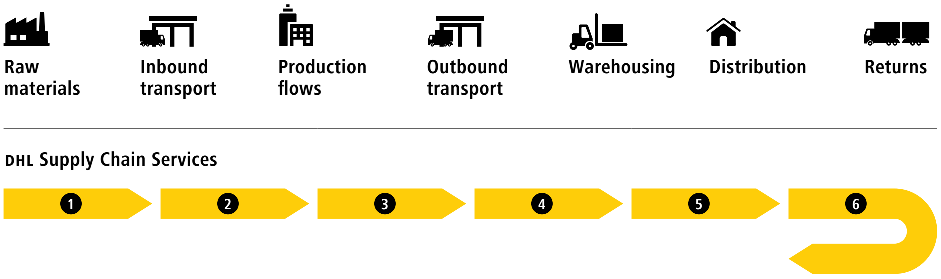
Customer-centred solutions in two business units

The SUPPLY CHAIN division comprises the two business units of Supply Chain and Williams Lea, in which we offer customer-focused outsourcing solutions worldwide.

Integrated end-to-end offering in contract logistics

In the Supply Chain business, we provide logistics solutions along the entire supply chain for customers in a wide variety of sectors. From planning, sourcing, production, storage and distribution to returns and recycling, customers rely on us to ensure a smooth logistics flow.

A.55 Logistics and value-added services along the entire supply chain



1 **Plan** – Laying the foundation for a supply chain

2 **Source** – Getting the materials at the time required

3 **Make** – Supporting product manufacturing

4 **Store & Customise** – Getting it ready to sell

5 **Deliver** – Getting it where it needs to be

6 **Return** – Bringing it back when it's not needed

We offer warehousing, distribution, managed transport and value-added services as well as business process outsourcing, supply chain management and consulting solutions. By ensuring that our customers' products and information reach their markets quickly and efficiently, we secure them competitive advantages. With local insight and global scale, we serve customers in more than 60 countries and support them in optimising their complex processes.

Our Supply Chain business provides expert solutions in mainly six focus sectors: Consumer, Retail, Technology, Life Sciences & Healthcare, Automotive and Energy. We manage the supply chains all the way from the source of supply to the end customer. Two of our largest sectors are Consumer and Retail. Flexibility, reliability and cost efficiency are the key value drivers for our services in these sectors, which range from international inbound logistics and warehouse and transport services to packaging and other value-added services. In November 2012, we opened a new logistics centre in Mönchengladbach, Germany, for the Primark fashion chain. Primark is an example of the customers, with whom we have maintained a good business relationship for many years and for whom we offer integrated, customised logistics solutions across national borders. We have already had a DHL logistics centre for this customer in the UK since 2008 and in Spain since 2010. The services of the new logistics centre in Mönchengladbach cover all warehouse activities plus transport to Primark shops in Germany, the Netherlands, Belgium and Austria.

➔ Glossary, page 218

Glossary, page 218

Customers in the Technology sector require fast, flexible and efficient supply chains. In addition, demand for integrated product and service logistics is increasing. Our portfolio ranges from inbound-to-manufacturing services and warehouse and transport services through to integrated packaging solutions, returns management and technical services.

We are also increasingly providing integrated solutions in the Life Sciences & Healthcare industry, where supply chains and logistics processes are still developing in many parts of the world. Our offering takes account of steadily rising cost pressure whilst meeting the high quality standards of our customers.

Glossary, page 218

The Automotive industry is one of our truly global sectors. Production is shifting increasingly to emerging markets such as China, India and Brazil, in which we already have a strong presence. For our inbound-to-manufacturing, aftermarket logistics and lead logistics provider solutions, the key factor is our ability to offer a high degree of global flexibility and reliability whilst further lowering costs.

Glossary, page 218

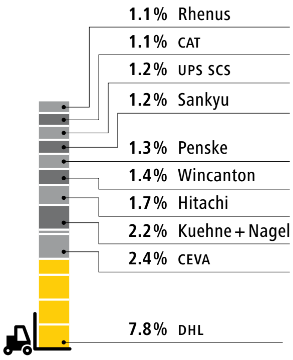
The fast-growing Energy sector is another market in which the DHL divisions provide integrated logistics solutions that cover procurement to disposal. With our maintenance, repair and operation services we offer streamlined supply chain and service solutions that can often substantially reduce costs whilst significantly increasing maintenance productivity.

A variety of outsourcing solutions for companies

Williams Lea provides services in two areas: marketing solutions and business process outsourcing. Document management, marketing and customer correspondence are amongst the solutions supplied, which we offer to customers in the financial services, retail, consumer goods, pharmaceutical, publishing and public sectors as well as in the legal sector.

A.56 Contract logistics market, 2011: top 10

Market volume: €154 billion



Source: Transport Intelligence; figures estimated except for DHL, CEVA, Kuehne + Nagel; exchange rates: as at May 2012.

Global market leader in contract logistics

DHL remains the global market leader in contract logistics, with a market share of 7.8% (2011). This market is highly fragmented: the top ten players account for only about 21.4% of the overall market, the size of which is estimated to be €154 billion. We lead the market in our key regions of North America, Europe and Asia Pacific and also enjoy a very strong position in rapidly growing markets such as Brazil, India, China and Mexico. Thanks to our global expertise and many years of business relationships with multinational corporations, we are confident that we shall be able to expand further in these markets.

Williams Lea is the market leader in outsourcing document management and marketing production. This market is also highly fragmented and consists largely of specialists offering either a very limited set of services or occupying exclusive niches. Due to our broad range of international services and long-lasting customer relationships, we succeeded in building on our leading market position even more during the year under review. Thanks to DHL's good customer relationships Williams Lea was able to gain additional new business.

REVENUE AND EARNINGS PERFORMANCE

Revenue increases by 8.4%

Revenue in the division increased in the reporting year by 8.4% to €14,340 million (previous year: €13,223 million). This figure includes positive currency effects of €691 million. Revenue was also impacted by the previous year's acquisition of Eurodifarm and Tag as well as the sale of Exel Transportation Services (ETS). Excluding these effects, revenue growth was 3.4%, with the Life Sciences & Healthcare and Automotive sectors providing the largest increase. Fourth-quarter revenue increased by 5.2% from €3,548 million to €3,733 million. Excluding positive currency effects (€100 million), revenue growth was 2.4%.

In the Supply Chain business unit, revenue for 2012 amounted to €13,000 million, up 8.3% on the previous year (€11,999 million). Growth was 4.2% excluding positive currency effects, the sale of ETS and the Eurodifarm acquisition. Revenue from our 18 key global customers increased by 5.7%.

In the Americas region, business in all sectors demonstrated good progress. The Consumer and Retail sectors performed best, supported by new business, higher volumes and strong growth in Brazil and Mexico.

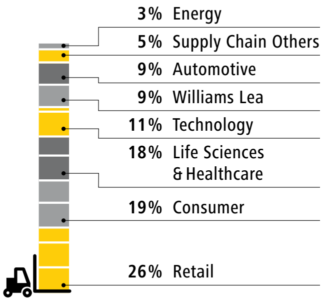
The highest level of regional revenue growth was achieved in Asia Pacific, due to significant volume increases and new business in Australia, Thailand and Indonesia.

In Europe, revenue in the Life Sciences & Healthcare sector grew from additional business with the UK National Health Service, boosted by an optimised mix of higher-value products. Volumes and new business also increased in Eastern Europe, the Middle East and Africa.

Williams Lea revenue was €1,345 million in the reporting year, an increase of 9.8% on the previous year (€1,225 million). Excluding the Tag acquisition and positive currency effects, revenue declined by 4.3%, due primarily to the loss of two major Financial Services customers in the UK in the previous year and a move towards digital publishing in the public sector that reduced print volumes.

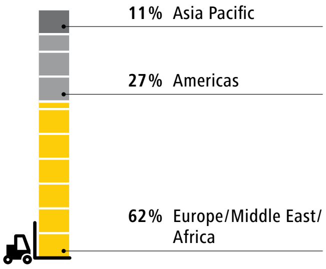
A.57 SUPPLY CHAIN: revenue by sector, 2012

Total revenue: €14,340 million



A.58 SUPPLY CHAIN: revenue by region, 2012

Total revenue: €14,340 million



New business of around €1.2 billion concluded

In the Supply Chain business unit, we concluded additional contracts worth around €1,210 million in annualised revenue with both new and existing customers. Major gains were achieved in the Life Sciences & Healthcare, Consumer, Retail and Technology sectors. The contract renewal rate remained at a constant high level.

EBIT margin rises to 2.9%

EBIT in the division increased by 14.9% to €416 million in the reporting year (previous year: €362 million). The prior-year figure included a €23 million net gain on the disposal of ETS. The increase in EBIT was driven by improved contract portfolio management along with continued cost efficiencies. This compensated for margin pressure and start-up costs associated with new business customers. The EBIT margin rose to 2.9% (previous year: 2.7%). Fourth-quarter EBIT amounted to €115 million (previous year: €73 million). Operating cash flow rose from €394 million in the previous year to €432 million, primarily due to better working capital management. This included cash outflows of €20 million from funding our pension obligations in Germany.

➔ Significant events, page 36

NON-FINANCIAL PERFORMANCE INDICATORS

Employees

"One HR" – harmonising HR worldwide

One of the goals of our Strategy 2015 is to become the Employer of Choice. This leads to priorities that we support with our now globally aligned HR organisation. Under the direction of our new Board Member for Human Resources, Angela Titzrath, we shall develop a global HR management system and harmonise our HR work with our "One HR" programme. Our guiding principle is to increase the added value for our divisions.

Strategic focus, page 96

Board of Management, page 116f.

The assessment has already been completed. Now we are working on reorganising the processes, responsibilities and structures within HR. In the third quarter of 2012, we established two new corporate departments: HR Performance & Programs and HR Development. These departments have been given the task of steering HR performance management as well as focusing on Group-wide areas with strong potential such as talent and career development across the Group.

Business activities and organisation, page 20

Slight increase in number of employees

As at 31 December 2012, we employed 428,129 full-time equivalents in more than 220 countries and territories, 1.1% more than in the previous year.

A.59 Number of employees

	2011	2012	+/– %
At year-end			
Headcount[1]	471,654	473,626	0.4
Full-time equivalents[2]	**423,502**	**428,129**	**1.1**
of which MAIL	147,487	145,850	–1.1
EXPRESS[3]	83,775	85,587	2.2
GLOBAL FORWARDING, FREIGHT[3]	42,546	42,062	–1.1
SUPPLY CHAIN	136,810	141,926	3.7
Corporate Center/Other	12,884	12,704	–1.4
of which Germany	168,108	167,082	–0.6
Europe (excluding Germany)	108,208	107,322	–0.8
Americas	70,291	72,503	3.1
Asia Pacific	61,112	64,164	5.0
Other regions	15,783	17,058	8.1
Average for the year			
Headcount	467,188	472,321	1.1
of which hourly workers and salaried employees	418,375	424,950	1.6
Civil servants	44,421	42,461	–4.4
Trainees	4,392	4,910	11.8
Full-time equivalents	**423,348**	**428,287**	**1.2**

[1] Including trainees.
[2] Excluding trainees.
[3] Adjusted.

In the MAIL division, the number of employees declined slightly by 1.1% to 145,850. New personnel were hired in the Parcel Germany business unit, which benefited from strong growth in e-commerce. However, the workforce declined overall, primarily because mail volumes fell and we discontinued the domestic business in the UK.

The number of full-time equivalents in the EXPRESS division increased compared with the adjusted prior-year figure, growing by 2.2% to 85,587. The rise was mainly a result of an increase in shipment volumes in the TDI product line.

In the GLOBAL FORWARDING, FREIGHT division, the number of employees declined slightly compared with the adjusted prior-year figure, down by 1.1% to 42,062, primarily because air freight transport volumes fell and we improved processes.

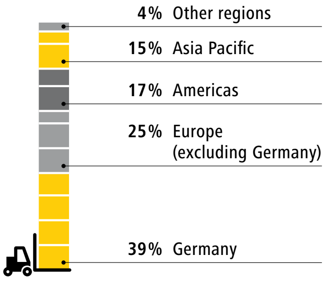
The SUPPLY CHAIN division increased its staff level by 3.7% to 141,926 as a result of growth in both new and existing business.

In Corporate Center/Other, the number of employees declined by 1.4% to 12,704 on account of productivity increases in indirect functions such as Finance, Human Resources and IT.

We continue to employ most of our personnel in Germany, where our workforce declined slightly. Whilst staff levels also decreased in Europe, they increased in the Americas, Asia Pacific and Other regions.

Our current planning foresees a slight increase in the number of employees in financial year 2013.

A.60 Employees by region, 2012[1]



[1] Full-time equivalents as at 31 December.

Staff costs rise

Staff costs rose by 6.2% to €17,770 million (previous year: €16,730 million).

Note 13

A.61 Staff costs and social security benefits

€m	2011	2012
Wages	13,350	14,179
Social security contributions	2,022	2,094
Retirement benefit expenses	915	984
Expenses for other employee benefits	317	336
Expenses for severance packages	126	177
Staff costs	**16,730**	**17,770**

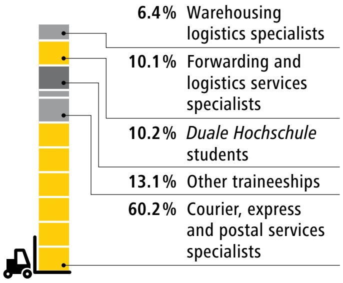
New programmes established for executives

We have also aligned our leadership principles consistently with Strategy 2015 and defined an overarching leadership philosophy and culture in close co-operation with top management. Our executives are asked to scrutinise themselves and their own guiding maxims and to continuously further their personal development. In 2011, we designed a series of different leadership programmes and introduced them from top management down to upper and middle management. This enabled us to create a cross-divisional and, in some cases, specifically regional dialogue and education platform that provides the opportunity to network beyond various divisions. As at the end of the reporting year around 650 executives had attended one of these multi-day programmes. A total of 1,100 are expected to have attended one by the end of 2013. Additional associated measures are planned.

Strategic focus, page 96

The success of our leadership development efforts is also reflected in our internal placement rate for upper and middle management, which was 92.9% in the reporting year (previous year: 85.2%). 5.7% (previous year: 11.7%) of the internal job placements involving these positions were cross-divisional in 2012.

A.62 **Traineeships, Deutsche Post DHL, worldwide**[1]



[1] Number of trainees, annual average: 4,910.

Attracting and developing young talent

In the reporting year, we hired over 2,100 trainees and students in Germany for more than 20 apprenticeship schemes and 15 dual-degree programmes. Around 1,700 of these trainees were hired in the MAIL division alone. Approximately 1,300 young people were offered an employment contract after completing their training.

We foster the top 5% of our trainees in Germany in our *Top-Azubi* talent programme. These trainees are offered special seminars and permanent contracts upon successfully completing their training. Furthermore, we give young people whose career prospects seem bleak a chance at a traineeship as part of our *Perspektive Gelb* job entrance programme. In 2012, the MAIL division provided approximately 450 opportunities for young people to gain qualifications. We offered about 70% of these interns a subsequent traineeship.

With our UPstairs programme, we offer our employees' children the opportunity to achieve higher levels of education. The scholarships provide financial assistance and individual support, such as mentoring, internships and other educational opportunities, for up to three years. In the reporting year, the programme reached almost 600 children of employees in 87 countries. In 2013, we are planning to provide as many as 1,100 scholarships in 112 countries.

Generations Pact successfully extended

The Generations Pact, upon which Deutsche Post AG and the trade unions agreed in October 2011, is finding acceptance amongst our workforce. The goal is to enable older employees to work actively until they reach legal retirement age. As at the end of 2012, 12,885 employees have set up a working-time account; 446 employees have gone into partial retirement.

Together with the trade unions, we are also striving towards a comparable instrument for age-based working solutions for our civil servants.

The Generations Pact also aims to improve employment opportunities for young people. In the reporting year, we were able to give permanent employment offers to 1,100 Deutsche Post AG trainees and offer 1,810 employees permanent employment contracts.

Implementing our employees' ideas

Our employees' ideas greatly help to make our Group more economical and improve our ability to compete in the market. With 220,000 users now participating worldwide, the Group's idea management is gaining importance outside of Germany as well. Today organisational units in 35 countries are using it to improve processes, increase product and service quality and reduce costs. In the reporting year, we harmonised our IT platform that enables our employees around the world to share and develop ideas. As a result of the extensive changes to systems and processes associated with that, the total number of ideas declined sharply but expectedly. The quality of the ideas remains outstanding.

An employee from DHL Airfreight in Singapore, for example, suggested reducing the amount of packaging material needed to stabilise loads in aircraft without adversely affecting quality or safety. Her suggestion was immediately taken up by organisational units in other countries.

An idea from a DHL employee in Slovakia also drew international interest. He developed a concept for a customer in the Automotive sector that showed suppliers how to best arrange parts on a pallet, a solution that resulted in higher capacity at lower cost.

A.63 **Idea management**

		2011	2012
Suggestions for improvements	number	214,337	165,124
Accepted suggestions for improvements	number	174,680	133,698
Rate of implementation	%	81.5	81.0

Employee opinion survey as an important management tool

The annual Group-wide employee opinion survey is a key tool we use for measuring the success of our Group strategy. It is also an important management tool because the survey allows employees to openly address the behaviour of our executives. In the reporting year, 80% of all employees participated again (previous year: 80%). The results improved across all key performance indicators for the fourth year in a row.

The survey shows that commitment more than doubles if employees see that measures are being taken as a result of the preceding year's survey and that the changes are evident. The key performance indicator "Active Leadership", which is a mandatory part of the calculations for our executive variable remuneration components, achieved an approval rating of 69% (previous year: 67%). Moreover, the central indicator "Employee Commitment", which depicts the satisfaction level of our employees and their identification with the company, increased again to 72% (previous year: 71%). In global terms, this result is above average compared with other large companies.

Diversity

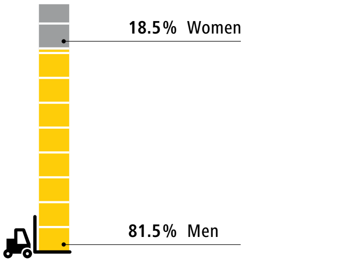
Strengthening our company through diversity management

Our workforce is very diverse and we see this as a competitive advantage. It is an advantage not merely in terms of the people already working for us but also in the search for new employees, especially in the context of the foreseeable shortage of qualified specialists and executives. With our diversity management approach, we intend to unlock new potential.

For a global company, the intercultural dimension is important. Deutsche Post DHL operates in 220 countries and territories around the world. In Germany alone, we employ over 150 nationalities. We aim to tap into this diversity through a wide range of measures.

We also see it as part of our responsibility to integrate people with a disability into our workforce. The average annual employment rate of people with a disability was 8.6% at Deutsche Post AG in 2012, well above the national average in the German private sector of (4.0% in 2010, source: *Bundesagentur für Arbeit* (German federal employment agency)).

A.64 **Gender distribution in management[1], 2012**



[1] Based on upper and middle management.

Promoting equal opportunity and improving family friendliness

Equal opportunity is one of the most important aims of our personnel policy. We want to increase the share of women in management positions. The voluntary commitment we made in 2011 in the joint declaration with all DAX 30 companies guides our efforts in this regard. We have committed ourselves to filling 25% to 30% of all management positions becoming vacant with women.

In the reporting year, the share of women in management positions in the Group increased slightly to 18.5% worldwide (previous year: 17.6%), a positive trend we intend to accelerate. To do this we identified and analysed future priorities in a Group-wide project. Talent management, communications and gender diversity training will be our focal points.

In October 2012 we received our fifth consecutive Total E-Quality award. The association of the same name recognises companies and organisations that promote the abilities and qualifications of women.

We are a family-friendly company. In addition to the many part-time employment opportunities, we are continuously improving the availability of childcare. We co-operate with an external service provider who advises our employees in Germany with regard to selecting optimal childcare and helps find qualified childcare specialists.

As part of a new company agreement with our social partners, we have made it easier for staff members to transfer for personal reasons. With these family-friendly programmes, employees are able to change their place of work for important family or health reasons more easily and quickly.

A.65 **Work-family balance[1]**

Headcount	2011	2012
State-regulated parental leave	1,809	1,718
Unpaid holiday for family reasons	2,286	2,150
Part-time employees[2]	65,322	62,523
Share of part-time employees (%)	37.5	37.0

[1] Includes employees at Deutsche Post AG.
[2] Excluding employees in the release phase of partial retirement.

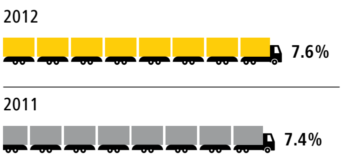
Health and safety

Promoting employee health worldwide

We understand “health” the way it is defined by the World Health Organisation (WHO): “a state of physical, mental and social well-being.” To maintain and promote the health of our workforce, we have developed a Group-wide system that is closely tied to risk management. Targeted initiatives and activities are implemented to improve our employees’ health. Within our operations, Health Work Groups work together with employees to identify where action is needed and implement specific measures locally. This results in between 30,000 and 40,000 measures every year to promote occupational health – from sports activities to influenza vaccinations and to stress prevention. In line with the social trend, the illness rate for 2012 in Germany rose slightly to 7.6% (previous year: 7.4%).

Each year we honour exemplary health initiatives with our Corporate Health Award. Our 2012 winners included initiatives in the United States and Taiwan.

A.66 Illness rate[1]



[1] All organisational units in Germany.

Anchoring occupational safety more firmly

In the reporting year, road safety was again a central focal point of our prevention efforts. We completely updated and expanded the informational and training materials for our Global Road Safety programme. We also co-operated with domestic and international traffic safety organisations as well as other large companies.

We also pay particular attention to our delivery operations. In the reporting year, we continued the Step by Step programme, which is intended to make our couriers more aware of potential dangers.

In Thailand, DHL won the Zero Accident Award and the Best Enterprise Occupational Safety and Health Award for our holistic approach to the health and safety of employees.

The certification and testing organisation TÜV Rheinland renewed the ISO 9001:2008 certification of our occupational safety organisation’s quality management system in the reporting year.

A.67 Occupational safety[1]

	2011[3]	2012[4]
Number of workplace accidents[2]	12,864	14,167
Accident rate (number of accidents per 1,000 employees per year)	72	78.6
Number of working days lost due to accidents (calendar days)	320,997	311,224
Working days lost per accident	24.9	22.0
Number of fatalities due to workplace accidents	2	1

[1] Includes employees of Deutsche Post AG.
[2] Accidents when at least one working day is lost, including accidents on the way to and from work.
[3] Adjusted.
[4] As at 2 January 2013; subject to change if later reports received.

Corporate responsibility

Reducing the impact of our business on the environment

Living corporate responsibility is a key component of our Group strategy. The importance this has for our business activities is demonstrated in our Code of Conduct, which is guided by the principles of the Universal Declaration of Human Rights and the United Nations (UN) Global Compact. Moreover, we systematically take into account the various interests of our stakeholders and work to reduce the impact of our business on the environment. In doing so, we aim to strike a balance between our economic goals and society's requirements by putting our experience and global presence to good use to help people and the environment. We concentrate above all on environmental protection and we are committed to our responsibility as a corporate citizen.

Slight increase in CO_2 emissions due to stronger demand for air transport

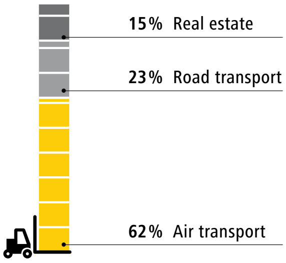
We want to run a sustainable business. With our environmental protection programme GoGreen we are anchoring this goal throughout the entire Group. Under this programme we are reducing our dependence on fossil fuels, improving our CO_2 efficiency and lowering costs. These efforts are also helping us to tap into new markets and business opportunities. Furthermore, we help our customers achieve their own environmental targets with "green" products. By the year 2020 we intend to improve the CO_2 efficiency of our own operations and those of our subcontractors by 30% compared with 2007.

@ ghgprotocol.org/standards

We quantify our CO_2 emissions based upon the principles of the GHG Protocol Corporate Standard. In our European air freight business, this also includes the requirements of the European Union Emissions Trading System (EU ETS). In 2012, our direct (Scope 1) and indirect (Scope 2) carbon emissions were approximately 5.4 million tonnes (previous year: 5.3 million tonnes). These emissions were a result of the fuel consumption of our fleet and energy consumption in our buildings. Direct CO_2 emissions rose slightly despite the fact that our buildings used less energy and our road transport vehicles consumed less fuel. This was due mainly to the increased demand for air transport, which to a large extent we operate ourselves.

A.68 CO_2 emissions, 2012

Total: around 5.4 million tonnes[1]



[1] Scopes 1 and 2.

A.69 Fuel and energy consumption[1]

		2011	2012
Consumption by fleet			
Air transport (jet fuel)	million kilograms	1,019.1	1,059.0
Road transport (petrol, biodiesel, diesel, bio-ethanol, LPG)	million litres	476.4	472.3
Road transport (biogas, CNG)	million kilograms	1.4	2.2
Energy for buildings and facilities	million kilowatt hours	3,317	3,172

[1] The presentation of the consumption data was aligned with our Corporate Responsibility Report.

The basis for calculating our CO_2 emissions, the development of our CO_2 efficiency as well as detailed consumption data will be available in the Corporate Responsibility Report, which we plan to publish in the middle of April 2013 on our website.

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

Using our expertise and network for social responsibility

As part of our Group programme GoHelp, we support the UN with disaster management, free of charge. At airports selected together with the UN, our professional aviation experts help prepare staff members for disasters in multi-day training sessions known as Get Airports Ready for Disaster (GARD). In the training sessions a risk analysis is carried out and participants draft an airport surge capacity report. In the reporting year, "GARD" training sessions were held at airports in Lebanon, Turkey and Indonesia.

@ dp-dhl.com/en/responsibility/disaster-management.html

With our DHL Disaster Response Teams (DRTs) we provide on-site support when disaster strikes. Our worldwide network is made up of more than 400 volunteer logistics specialists who are able to be deployed to a disaster area within 72 hours of receiving the call from the UN. Once on site at the airport our DRTs support organisations with the logistical handling of relief supplies. In 2012, our DRTs were deployed to Guatemala after the earthquake and to the Philippines after the tropical storm.

As one of the world's largest employers with a high demand for qualified employees, we have committed ourselves to improving the education and employability of young people. We are a partner of the organisations Teach For All and SOS Children's Villages. Together we aim to help children and young people get a better start in their future. In the reporting year, we supported organisations in 14 countries, including three new partnerships with SOS Children's Villages in Mexico, Kenya and Ghana.

@ dp-dhl.com/en/responsibility/championing-education.html

As part of local partnerships, our employees supplement our financial support by volunteering. For example, they give children and young people a look into their everyday work life and help them make their own career choices.

With Global Volunteer Day and the Living Responsibility Fund we support our employees' volunteering activities. In the reporting year, around 62,000 employees took part in more than 1,000 projects in 114 countries on Global Volunteer Day. These projects include a variety of volunteer activities at a local level. In addition, 104 projects from the Living Responsibility Fund were supported in the reporting year.

The We Help Each Other (WHEO) fund enables employees to donate money for colleagues affected by a natural disaster. In the reporting year, 183 employees were supported with around €75,000.

Our sustainable performance is evaluated independently

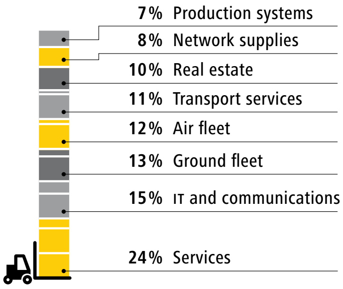
International investors and analysts monitor and evaluate how sustainable a company's business is. As a result of our commitment in the reporting year, we were again listed in FTSE4Good and in the Carbon Disclosure Leadership Index. In addition, other independent institutions also rated our activities: Oekom Research Corporate Rating assessed us for the first time as a Prime Investment and we led the Transport & Logistics sector in the Newsweek Green Global 500 Ranking. More detailed results will be provided in the Corporate Responsibility Report, which we plan to publish in the middle of April 2013 on our website.

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

Procurement

A.70 Procurement expenses, 2012

Volume: €9.5 billion



Slight rise in expenditure

In the year under review, the Group centrally purchased goods and services having a total value of approximately €9.5 billion (previous year: €9.1 billion). This figure no longer includes material services in the area of real estate because Procurement has reduced its activities in this area. Instead, the total includes transport services for the first time. Although these services are generally procured by the divisions, Procurement provided even greater support for these purchases in the reporting year.

Procurement helps the divisions to reduce expenditures and make cost-effective investments. In the reporting year, it continued to support the area of Aviation. The 18 Airbus A300-600 aircraft purchased in the previous year have been successively converted to cargo aircraft. We also negotiated maintenance contracts for these aircraft in the reporting year. As a result, the Group was able to save around €3 million; to date, 13 of the 18 aircraft have been put into operation. Furthermore, so-called "ACMI lease agreements" (Aircraft, Crew, Maintenance, Insurance Leases) were concluded for nine Boeing 737 cargo planes. This resulted in savings of around €4 million. The aircraft were integrated into the DHL network.

The MAIL division was supported with the selection and order placement of new sorting solutions. In the reporting year, eleven locations were equipped with additional sorting technology. Procurement helped the GLOBAL FORWARDING, FREIGHT division with its New Forwarding Environment project, for example with the tenders for software and system integrators.

Strategic focus, page 100f.

In 2012, Procurement again focused on evaluating suppliers and developing the Group's relationships with them. This included, amongst other things, expanding the financing and payment model Supplier Finance, which we have established in Germany and other European countries. It was also introduced in the United States, South Korea and Hong Kong in 2012. Since then, more than 100 suppliers have been participating. The Group benefits from this model because it allows the divisions to optimise their working capital. Our suppliers also benefit, as the model opens up advantageous financing options.

Centralised Procurement supports divisions

Procurement is a centralised function in the Group. The heads of Global Sourcing and their 15 Corporate Category Managers work closely with four heads of regional procurement organisations and report to the head of Corporate Procurement. This structure allows us to both bundle the Group's worldwide requirements and meet the local needs of the business units.

We also offer procurement services provided by our operating divisions to customers with support from Procurement. In the reporting year, these primarily included services in the areas of transport, packaging as well as maintenance, repair & operations.

Glossary, page 218

In the reporting year, DP Fleet GmbH, the vehicle fleet management company in Germany and France, as well as Partnerstore International, were transferred to Procurement. Vehicle fleet management operated by the divisions outside of these countries was not affected by this. By consolidating our expertise in vehicle procurement and operations, we are even better able to meet the high demands of this area.

Environmentally conscious procurement

We strive to take greater account of environmental aspects when procuring products and services. The procurement teams responsible for the various regions and material groups work together on this. In the reporting year, for example, Procurement and the Real Estate Lease department jointly negotiated a more economical lighting technology, with which the divisions will retrofit their locations.

As a logistics company, a low-emissions vehicle fleet plays a central role in our efforts to protect the environment. In Germany, 1,324 new 3.5-tonne transporters and 575 Sprinters were put into operation, resulting in considerable reductions in nitrogen oxide and soot particle emissions. In addition, Procurement assisted the divisions in purchasing vehicles with alternative drive systems such as electric and hybrid technologies.

We describe the individual projects and the CO_2 savings achieved in our Corporate Responsibility Report, which we plan to publish on our website in the middle of April 2013.

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

Purchasing systems for efficient procurement

The use of IT applications to procure goods and services more efficiently increased again considerably in the reporting year. Our GeT electronic ordering system, for instance, was used mainly in Germany, the United States, Mexico and other European countries. In the reporting year, we introduced the system in 14 countries in the Asia Pacific region as well as in seven countries in Latin America. Further expansion is planned in Europe and Latin America in 2013.

We also use e-sourcing to make our processes efficient and transparent. This allows us to handle all the steps in the tender process electronically.

Research and development

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

Customers and quality

Innovative technology translates into competitive advantage in the mail business

We operate a first-class, efficient and environmentally friendly nationwide transport and delivery network in Germany consisting of 82 mail centres and 33 parcel centres that process more than 64 million letters and more than 3 million parcels each working day. In the reporting year, the high level of automation in our mail business, which is over 90%, saw a further slight increase. In our parcel network, we have meanwhile increased our overall sorting capacity by almost 30% by upgrading existing facilities.

Our customers rate the quality of our services based on whether posted items reach their destinations quickly, reliably and undamaged. We again achieved excellent results in letter transit times within Germany: according to surveys conducted by Quotas, a quality research institute, 95% of the letters posted during our daily opening hours or before final post box collections were delivered to their recipients the next day. In order to ensure this level of quality in the long term, our quality management is based on a system that is certified each year by TÜV Nord, a recognised certification and testing organisation.

In the parcel business, items usually reach their recipients the next working day. This is based on parcels that were collected from business customers and that were delivered 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 Corporation. Here we rank amongst the top postal companies. According to EU specifications, 85% of all cross-border letters posted within the EU must be delivered within three days of posting. We exceeded this specification again significantly in the reporting year.

➔ Opportunities and risks, page 93

Our E-Postbrief product meets high data protection and security standards as described in the risk report. In 2012, we developed more user-friendly features for this product: E-PostIdent – our real-time identification service – simplifies the online sale of products that require identification, such as those with age restrictions. E-Postbrief *Komfortzahlung* allows private customers to pay bills easily and securely from the comfort of home.

Since the beginning of 2012, the more than 20,000 Deutsche Post points of sale have been operated exclusively by partners, the majority of which are retail stores. As a result, the average weekly opening times of the approximately 13,000 retail outlets and more than 7,000 sales points increased from 50 to 52 hours. The annual survey conducted by *Kundenmonitor Deutschland*, the largest consumer study in Germany, also shows a high acceptance of our partner retail outlets: over 92% of customers are satisfied with our quality and service (previous year: 90%). In addition, impartial mystery shoppers from TNS Infratest tested the postal outlets in retail stores approximately 30,000 times over the year. The result showed that more than 93% of customers were served within 3 minutes.

➔ Corporate responsibility, page 76

A central characteristic of the quality of our products is environmental protection. In Germany, we employ a TÜV Nord-certified environmental management system in our mail and parcel businesses. We offer private and business customers climate-neutral shipping options with our GoGreen products. We are also testing vehicles with hybrid and electric drive technology, as well as energy-saving lighting in our facilities.

Service quality translates into competitive advantage in the express business

We want to offer our customers the best possible service quality. This objective places high demands on our products, processes, infrastructure and employees. Therefore, we keep a constant eye on the changing requirements of our customers and measure our services by, for instance, using mystery shoppers and through direct dialogue with customers on various media platforms. As part of our First Choice initiative, we work steadily on improving our internal and external processes.

➔ Strategic focus, page 102

@ dhl.com/mydhl

The new MyDHL online portal was launched in the reporting year. Using a single login, private and business customers can access all DHL shipping services, which they can book individually and directly. Small and medium-sized businesses benefit in particular from the simplified procedures and the additional information, for example regarding automatic tracking and tracing as well as exports. The portal is available in more than 100 countries.

We use state-of-the-art quality control centres to track shipments worldwide and dynamically adjust the related processes. Should unforeseen events occur, flight and shipment routes can be altered immediately. At the quality control centres, our standard service includes tracking all premium products – for example, Medical Express shipments – until they are delivered. In the case of sensitive shipments, we also immediately take all necessary measures to ensure that the items reach the recipient at the agreed time and in the agreed quality. Our service quality is also appreciated by external institutions. For instance, in the reporting year, we were awarded the title of Best Express Company by the logistics portal arabiansupplychain.com in the United Arab Emirates.

Our operational safety, compliance with standards and the quality of service at our facilities are reviewed regularly in co-operation with government authorities. More than 200 locations have been certified by the Transported Asset Protection Association (TAPA), one of the world's most renowned safety associations, making us the leader in this area. The certification extends to all central hubs and gateways, including the North Asia Hub in Shanghai. In 2010, we began recording all certification processes using a uniform system and managing them globally. Since then, we have achieved ISO 9001 certification in 34 European countries. In 2012, we expanded the certification programme to the Americas and Asia Pacific. Now we are certified in 106 countries worldwide. Moreover, we meet the fundamental ISO 14001 environmental management standard in 27 European countries.

Customer proximity translates into competitive advantage in the freight forwarding business

In an effort to better understand our customers' expectations and in order to fulfil their needs to their utmost satisfaction, we again surveyed more than 18,000 customers in 49 countries to find out how satisfied they are with our services. Those surveyed account for 90% of total revenue in the Global Forwarding business unit. The Freight business unit surveyed more than 2,500 customers in 14 European countries. We carried out a detailed analysis of the results and introduced measures to further improve our products and services.

Strategic focus, page 102

Since we strive to a make sustainable improvements, we follow the First Choice Way, which takes our successful First Choice methodology one step further and is based upon the principle of continuous improvement. It is being entrenched in all our business processes, in performance management as well as in employee and organisational development. In 2012, we trained an additional 5,700 employees in the First Choice Way and completed 274 improvement measures, around one third of which were centred around a specific customer.

Many customers have confirmed that they appreciate our process of continuous improvement and benefit directly from it. For instance, our long-time customer Colgate Palmolive Andina honoured us as their best co-operation partner. The Chinese technology group Huawei has bestowed us with the "gold" award for the fifth time as a result of our successful co-operation with them.

In our competence centres around the world, we have set up so-called "performance dialogues" for the Automotive sector. One example of these dialogues led to an increase in on-time deliveries from 60% to 100% for a customer in this sector, which exceeded their expectations of 90%.

In the Asia Pacific region, we started the Flexi-tank initiative to offer solutions to customers in the Chemicals and Energy sectors that allow the shipping of large quantities of non-hazardous liquids.

The DHL road freight subsidiary in the USA, Standard Forwarding, received the status Partner in the Achieving Excellence Programme from John Deere, the global leader in agricultural technology, for the seventh year in a row. The company rates its suppliers based on quality, cost management, performance, technical support and speed.

Quality translates into competitive advantage in the supply chain business

In line with our Strategy 2015, we also want to be the provider of choice in the SUPPLY CHAIN division. We therefore implement practices and methodologies that provide our customers with the highest level of service and the most added value. We use globally tested processes to allow us to offer our customers everywhere comparable solutions and uniformly high service standards.

In order to measure and monitor the quality of our service, we have defined a number of performance indicators. These include safety, productivity and inventory accuracy. In 2012, we again achieved more than 95% of our service standards worldwide. Eight out of ten customers surveyed confirmed that DHL is their provider of choice in the supply chain business.

With our Path to Quality programme, which we introduced in 2011, we are constantly improving the already high quality of our services and thus ensuring the consistency, transparency and simplicity of logistics processes. Customers recognise the benefits of the results achieved using the Path to Quality system.

Brands

A.71 **Brands and business units**

	Deutsche Post DHL			
Brand	Deutsche Post	DHL		
Division	MAIL	EXPRESS	GLOBAL FORWARDING, FREIGHT	SUPPLY CHAIN
Brand area	• Mail Communication • Dialogue Marketing • Value-Added Services • Press Services • Philately • Pension Service • Global Mail • Parcel Germany	• Express	• Global Forwarding • Freight	• Supply Chain
Sub-brand				• Williams Lea

Brand management aligned with Group strategy

Strategic focus, page 96ff.

We align the Deutsche Post and DHL brands consistently with our Group strategy, with the aim of remaining the postal service for Germany *(Die Post für Deutschland)* and becoming the logistics company for the world. This is why we work continuously to improve the awareness, image and value of our brands.

Independent studies have again shown that we are succeeding: according to the BrandZ study conducted by the market research institute Millward Brown, the value of the DHL brand grew by 12% in 2012 to US$7.6 billion. This put DHL in 100th place on the list of the most valuable brands in the world. Millward Brown calculates the brand value based on the current financial situation along with the contribution the brand makes to the company's business success.

In 2012, consulting company Semion Brand-Broker calculated Deutsche Post's brand value to be €13,067 million (previous year: €12,946 million). The 1% increase in value again ranks us number six amongst the most valuable German brands. Factors analysed included financial value, brand protection, brand image and brand strength.

Employees are the best brand ambassadors

Our employees have an impact on our brand image every day. This is why we support their important responsibility as brand ambassadors.

With the Extranet, which we launched at the end of 2011, we now reach more than 17,000 employees, most of whom do not work at a computer workstation. Beyond the corporate news and information on offer, the platform now has over 400 internal discussion groups. In 2012, Forum Corporate Publishing e.V. recognised Deutsche Post DHL's Extranet with the silver award in the category Digital Media Employee in the BCP Best of Corporate Publishing Award.

Group sports activities are the focus of the internal motivational platform known as the *Deutsche Post Fan Club*. With this programme, we support employee participation in recreational sports and provide sports clothing. We were able to reach 28,000 employees, whether as active participants or as spectators, through these activities in the reporting year. We also continued our sponsorship of the *Deutsche Tourenwagen-Masters* (DTM – German Touring Car Masters) and use it in our internal and external communications.

E-Postbrief product and MeinPaket.de positioned in the world of sports

In addition to using the DTM, we communicate the services offered under the Deutsche Post brand via our partnership with the *Deutsche Fußball-Bund* (DFB – the German football federation). In the reporting year, we expanded our presence with the German women's national football team and the DFB Cup to include a partnership with the German men's national team. As a result, Deutsche Post is seen on stadium banners and other advertisements at all high-profile DFB events. As in the previous year, E-Postbrief was the main focus of our brand activities at DFB and DTM events. We also raised awareness of our shopping portal MeinPaket.de at select matches.

Digital brand strategy developed for DHL

The growing popularity of digital forms of communication is opening up opportunities for us to showcase the DHL brand over the long term. That is why the main focus of our brand efforts for DHL in 2012 was to develop a global digital strategy. We want to intelligently mesh the digital world with traditional communication. In the reporting year, DHL continued its global, integrated brand campaign, which was designed as a long-term strategy, as well as its global International Specialists campaign for express delivery.

Partnerships sustainably strengthen DHL brand

Our sponsorship activities are very effective in strengthening the reputation of our brands. Our centrally managed DHL global partner programme showcased our brand at 130 events in more than 40 countries in 2012. As the official logistics partner of Formel1™, IMG Fashion Weeks, Volvo Ocean Race and the *Leipzig Gewandhausorchester*, we achieved a strong international presence for the DHL brand and, at the same time, proved our particular logistics expertise – whether transporting race equipment, fashion collections, sailing yachts or valuable musical instruments.

FURTHER DEVELOPMENTS

Report on post-balance-sheet date events

No further significant events

There were no significant events with material effects on the Group's earnings, financial position, and assets and liabilities after the balance sheet date.

OUTLOOK

Overall assessment of expected performance

Our strong position as market leader in the German mail and parcel business and in nearly all of our logistics activities is the best possible basis for our further growth. We expect consolidated EBIT to reach between €2.7 billion and €2.95 billion in financial year 2013 and the world economy to grow by approximately 3%, though we anticipate that the economy will pick up momentum as the year progresses. A similar development is expected for world trade. The MAIL division is likely to contribute between €1.1 billion and €1.2 billion to consolidated EBIT. Compared with the previous year, we expect an additional improvement in overall earnings to between €2.0 billion and €2.15 billion in the DHL divisions. At around €–0.4 billion, the Corporate Center/Other result should be on par with the previous year. In 2013, operating cash flow will recover from the one-time charges in the reporting year and benefit from the expected earnings improvement.

Opportunities and risks

OPPORTUNITY AND RISK-CONTROLLING PROCESSES

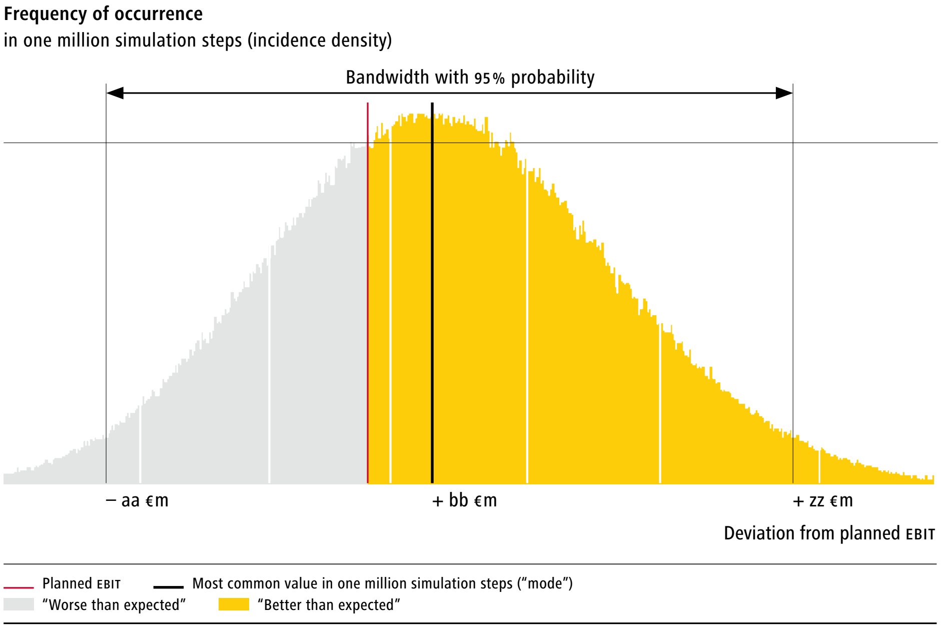
Uniform reporting standards for opportunity and risk-controlling processes

As an internationally operating logistics company, we are faced with numerous changes. Our aim is to identify the resulting opportunities and risks at an early stage and to manage them with the goal of achieving a sustained increase in enterprise value. Our Group-wide opportunity and risk control system facilitates this aim. Each quarter, our managers estimate the impact of future scenarios and evaluate the opportunities and risks in their departments. Risks can also be reported at any time on an ad hoc basis. The approvals required by the risk management process ensure that management is closely involved at different hierarchical levels.

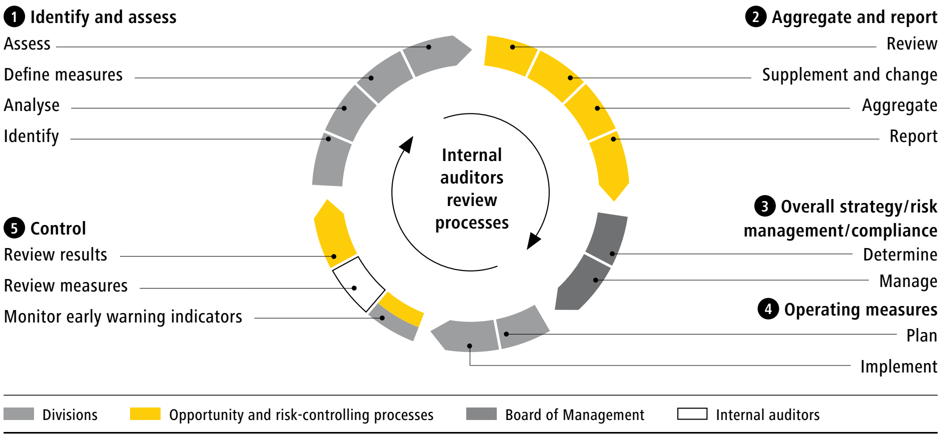
Our early identification process leads to uniform reporting standards for risk management in the Group. We make constant improvements to the IT application used for this purpose. We also use a Monte Carlo simulation for the purpose of aggregating risk in standard evaluations.

This stochastic model takes the probability of occurrence of the underlying risk and rewards into consideration and is based on the law of large numbers. For each risk, one million randomly selected scenarios are combined with each other from the distribution functions for the individual risks. The resulting totals are shown in a graph of frequency of occurrence, which thus acts as an indication of the probability of deviations from the budget for each unit reviewed. The graph indicates a smaller range between the absolute extreme scenarios within which the earnings for the division have a high probability of falling. The following graph shows an example of such a simulation:

A.72 Monte Carlo simulation



A.73 Opportunity and risk management process


1 Identify and assess
Assess
Define measures
Analyse
Identify
2 Aggregate and report
Review
Supplement and change
Aggregate
Report
Internal auditors review processes
3 Overall strategy/risk management/compliance
Determine
Manage
4 Operating measures
Plan
Implement
5 Control
Review results
Review measures
Monitor early warning indicators
Divisions
Opportunity and risk-controlling processes
Board of Management
Internal auditors

The most important steps in our opportunity and risk management process:

❶ **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 identified risk is assigned to one or more managers, who assess it, monitor it, specify possible procedures for going forwards and then file a report. The same applies to opportunities. The results are compiled in a database.

❷ **Aggregate and report:** The control units responsible collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, this is noted in our database and taken into account when compiling them. 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. In addition, opportunities and risks are aggregated for key organisational levels. We use two methods for this. In the first method, we calculate a possible spectrum of results for the divisions and add the respective scenarios together. The totals for "worst case" and "best case" indicate the total spectrum of results for the division in question. Within these extremes, the total "expected cases" shows current expectations. The second method involves use of a Monte Carlo simulation, the results of which are regularly included in the opportunity and risk reports to the Board of Management at the divisional level.

❸ **Overall strategy:** The Group Board of Management decides on the system that will be used to analyse and report on opportunities and risks. The reports made by Corporate Controlling provide the Board of Management with 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 has the task of 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 making adjustments where necessary.

Internal accounting control and risk management system

(Disclosures required under section 315 (2), number 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 (EU IFRSs) 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 decentralised level by those responsible locally (by a chief financial officer, for example) and at a central level by Corporate Accounting and Reporting, Taxes and Corporate Finance at the Corporate Center.

Over and above 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-based auditing procedures, Corporate Internal Audit regularly 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.

OPPORTUNITIES

Opportunities arising from market trends and our market position

Our business is impacted by a variety of external factors that offer us numerous opportunities.

We believe that the global market will grow. Advancing globalisation means that the logistics industry will continue to grow much faster than the individual national economies and the world economy as a whole. This is especially true of Asia, where trade flows will continue to increase both within the continent and to other regions. As the market leader, our benefit from this increase will be above average based on our DHL divisions. This also applies to regions such as South America and the Middle East, which continue to see robust growth. We are likewise well positioned in the emerging economies of Brazil, Russia, India, China and Mexico (BRIC+M) and plan to take advantage of arising opportunities in these markets.

The sustained trend towards outsourcing presents an additional opportunity for our Group. Especially in times of economic uncertainty, companies need to reduce costs and streamline business processes. This is why firms outsource activities that are not part of their core business. Supply chains are therefore becoming more complex and more international but are also more prone to disruptions. For this reason, customers want stable, integrated logistics solutions, which is what we provide with our broad-based service portfolio. We see growth opportunities and a clear competitive advantage in this area, in particular due to the close co-operation of the DHL divisions.

The booming online marketplace represents another opportunity for us in that it is creating demand for transporting documents and goods. The B2C market is experiencing double-digit growth, particularly due to the rapid rise in digital retail trade. This has created high growth potential for the national and international parcel business, which we intend to tap into by expanding our parcel network.

➔ Glossary, page 218

Finally, greater environmental awareness on the part of our customers brings opportunities for above-average growth. Customers want to improve their carbon efficiency, which is why they are increasingly requesting energy-efficient transport and climate-neutral products. We lead our sector in this area, offering carbon-neutral mail, parcel and express products plus air and ocean freight transport.

Opportunities in the divisions

In the strategic focus section, we have described the market opportunities we see in the various divisions and the strategies and goals we are pursuing to take advantage of these opportunities.

➔ Page 96ff.

RISKS

Risk categories and specific risks

The risks set out in the following are those which we presently consider to have a significant, potentially 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 additional factors 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 the Group provides some of its services in a regulated market. A large number of postal services rendered by Deutsche Post AG and its subsidiaries are subject to sector-specific regulation by the Bundesnetzagentur (German federal network agency), pursuant to the Postgesetz (PostG – German Postal Act). This regulatory authority approves or reviews prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

➔ Glossary, page 218
➔ Glossary, page 218

In 2011, the regulatory authority announced a benchmark decision specifying the conditions that would apply in 2012 and 2013 to regulation under the price-cap procedure for mail prices requiring approval. This stipulates that the general rate of inflation and the expected productivity growth rate for Deutsche Post AG are the key factors applicable to mail prices subject to approval. Prices must be lowered if the inflation rate in the reference period is lower than the productivity growth rate specified by the regulatory authority. In the year under review, the regulatory authority approved the prices to be charged in 2013 for the products regulated under the price-cap procedure.

As announced in June, the tax authorities modified certain tax assessments issued to Deutsche Post AG in the third quarter of 2012. The resulting additional VAT payment amounted to €482 million after deducting outstanding tax refund claims and was paid by the end of the third quarter. The decision resulted from an extensive review of complex issues pertaining to tax law and relates to the period from 1998 to 30 June 2010. The amended law on VAT for postal services took effect the following day. The Group had already recognised provisions for a large part of the additional VAT payment. In addition, the tax authorities reviewed a number of postal services previously regarded as VAT-exempt to determine whether they are subject to taxes retroactively. Although varying interpretations of the facts are possible, including with respect to the application of European and German VAT law, the Group has accepted the tax assessments. This concludes all VAT matters in dispute for the period in question, provides legal certainty and avoids drawn-out legal proceedings with uncertain outcomes.

Since 1 July 2010, as a result of the revision of the relevant tax exemption provisions, the VAT exemption has only applied to specific universal services in Germany that are not subject to individually negotiated agreements or provided on special terms (discounts etc.). Deutsche Post AG does not believe that the legislative amendment fully complies with the applicable specifications of European Community law. Due to the legal uncertainty resulting from the new legislation, Deutsche Post AG is endeavouring to clarify certain key issues with the tax authorities. Although Deutsche Post AG is implementing the required measures to a large extent, the differing legal opinions on the part of Deutsche Post AG and the tax authorities will be judicially clarified.

Risks arising from market and sector-specific conditions

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

Our business is closely linked to the growth of the international economy and the performance of the logistics market – a situation that presents opportunities, but also entails risk. Recessive tendencies in the general economy and volatile financial markets act to reinforce uncertainty regarding future market figures and impact our business. Risk factors stem in particular from the sovereign debt crisis in the euro zone and uncertainty about future taxation and spending policies in the United States.

We counteract this dependency by constantly improving our processes, identifying trends of the future early on and closely following market trends. Despite the volatile climate, demand for logistics services rose in 2012 and our revenues increased accordingly. However, we cannot rule out the possibility of an economic downturn in specific regions and a stagnation or decrease in transport quantities.

Thanks to our sound preparations, the experience we gathered during the last economic crisis and our global presence, we regard the likelihood of market conditions significantly affecting our forecast earnings as low.

Security risks

According to security agencies, organised crime and terrorism present particularly high risks for western corporations. However, no specific threats to people, institutions or enterprises are known to us at present. We nonetheless share the assessment of the authorities and take the heightened security risk seriously. For this reason, we analyse global threat levels on an ongoing basis and conduct regular reviews of our security concepts, adapting them where necessary. We also have various programmes used to protect sensitive employee and customer data. In this manner, the Group complies with its duty of care and lowers the risk of liability.

Deutsche Post DHL's security concepts fulfil the statutory requirements, as confirmed by numerous reviews by the authorities. Moreover, we shall continue to work together with all relevant security agencies, air traffic authorities, representatives of national legislative authorities and industry associations in order to ensure a high level of security and a low probability of any significant incidents occurring. Not only shall we comply in full with the security guidelines and regulations enacted globally or by individual countries or authorities, we shall also add our own high standards to them. We intend to make a contribution to further improving all aspects of security in the interest of our customers, business partners and employees.

Risks arising from corporate strategy

Over the past years, the Group has ensured that its activities are well positioned in the world's fastest growing regions and markets. We have also created efficient structures in all areas to allow us to flexibly adapt our capacities and costs to demand as a prerequisite for lasting, profitable business success. With respect to the strategic orientation of the Group, we are now focusing on our core competencies in the mail and logistics businesses with an eye towards growing organically and simplifying our processes for the benefit of customers.

In the MAIL division, we are responding to the challenges presented by the structural change from a physical to a digital business. We have counteracted the risk arising from changing demand by expanding our range of services. Due to the e-commerce boom, we expect our parcel business to continue growing robustly in the coming years and are therefore extending our parcel network. We are also expanding our range of electronic communications services, securing our standing as the quality leader and, where possible, making our transport and delivery costs more flexible. We follow developments in the market very closely. Although customer demand will change significantly over the long term, we regard the risk to successful operations in the MAIL division as low due to the measures introduced.

In the EXPRESS division, our future success depends above all on general factors such as trends in the competitive environment, costs and quantities transported. After having spent recent years successfully restructuring our business and substantially improving cost structures, we are focusing on growth in our international business. We anticipate an increase in shipment volumes on routes to and from Asia in particular. Based on this assumption, we are investing in our network, our services, our employees and the DHL brand. Against the backdrop of the past developments and the overall outlook, we do not see any unusual strategic risk for the EXPRESS division.

In the GLOBAL FORWARDING, FREIGHT division we purchase transport services from airlines, shipping companies and freight carriers rather than providing them ourselves. As a result, in a worst-case scenario there is a risk that we shall not be able to pass on all price increases to our customers. The extent of the risk essentially depends on the trend in the supply, demand and price of transport services as well as the duration of our contracts. Our comprehensive knowledge in the area of brokering transport services helps us to minimise risk and take advantage of available opportunities.

Our SUPPLY CHAIN division provides customers in a variety of industries with solutions along the entire logistics chain. Our success is highly dependent on our customers' business trends. Since we offer customers a widely diversified range of products in different sectors all over the world, we can diversify our risk portfolio and balance out the incumbent risks. Moreover, our future success also depends on our ability to continuously improve our existing business and to grow in our most important markets.

Risks arising from internal processes

Logistics services are generally provided in bulk and require a complex operational infrastructure with high quality standards. To consistently guarantee reliability and on-time delivery, processes must be organised so as to proceed smoothly with no technical or personnel-related glitches. Any weaknesses with regard to posting and collection, sorting, transport, warehousing or delivery could seriously compromise our competitive position. We therefore adapt all processes to current circumstances as needed. We also take preventive measures to guard against disruptions or malfunctions in our operational processes. Should disruptions nonetheless occur, contingency plans will go into effect to minimise the consequences.

➔ Strategic focus, page 102

Overall, we regard the probability that the Group will experience significant effects due to business interruptions as low. In addition, some risks from interruptions to business are reduced by our insurance policies. We furthermore use our First Choice methodology to continuously improve our processes and align them even more closely to the requirements of customers. Should this involve capital expenditure, the Board of Management decides on any sums in excess of €25 million. Board of Management committees make decisions on investments of more than €10 million, with a lower threshold of €5 million applying to Corporate Center/Other. The Board of Management members are regularly informed of investment decisions so that they can identify any significant risk early and take the 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

Security of our information systems plays an important role for us. The Information Security Committee, a subcommittee of the IT Board, has defined standards, procedures and guidelines based on ISO 27001, the international standard for information security management. In addition, Group Risk Management, IT Audit, Data Protection and Corporate Security monitor and assess IT risk on an ongoing basis. The goal is continuous IT system operation and the prevention of unauthorised access to our systems and databases.

Our processes can only run seamlessly if our essential IT systems are always available. To ensure this, we have designed our systems to protect against complete system failures. In addition to third-party data centres, we operate two central data centres in the Czech Republic and Malaysia. Our systems are thus geographically separate and can be replicated locally.

Access to our systems and data is limited. Employees can only access the data they need to do their job. All systems and data are backed up on a regular basis and critical data are replicated across data centres.

All software is updated frequently to address bugs, close potential gaps in security and increase functionality. We employ a patch management process, a defined procedure for managing software upgrades, to control risks that could arise from outdated software or from software upgrades.

We make all efforts to manage the low-probability, high-impact incidents in order to provide the high level of service that our customers have come to expect. Despite these measures, an element of risk involving medium to high financial consequences cannot be ruled out entirely.

Security is our pledge for the E-Postbrief product. All attempts to attack the software have been repelled to date. In 2012, the product passed its second surveillance audit. This annual audit is carried out by the German Federal Office for Information Security in accordance with ISO 27001. In addition, the *Unabhängiges Landeszentrum für Datenschutz Schleswig-Holstein* (Schleswig-Holstein independent data protection centre) certified that the E-Postbrief product complies with data protection regulations.

Risks arising from environmental management

Our Group-wide risk management system also monitors environmental policy developments. At present, we are not aware of any environmental risks that significantly impact the Group's earnings, financial position and assets and liabilities.

Risks arising from human resources

It is the motivation and competence of our employees that make a good impression on our customers and thus shape our long-term success. Demographic change and increased competition for qualified specialists and executives mean that the pool of potential young talent is becoming smaller, particularly in our core market of Germany. The risk therefore exists that we may not be able to recruit and retain a sufficient number of suitable employees. We plan to take various measures to decrease this risk. For example, we place great importance on providing a motivating work environment and suitable professional and employee development programmes. The results of our employee survey testify to our progress in this area: employee approval ratings for "working conditions" improved by one percentage point to 77%, and the ratings for "learning and development" even rose by two percentage points to 70%.

➔ Employees, page 73

In many countries, the age structure and social structures are undergoing a notable shift. To adequately identify and counteract the resulting risk relating to employees' work capacity and ageing, we have developed an analysis and planning instrument known as Strategic Workforce Management, which supplies strategically well-founded answers based on fact.

Employees, page 72

The Generations Pact entered into by Deutsche Post AG with the trade unions is geared specifically towards demographic conditions in Germany. The Generations Pact ensures that older employees can remain on the job whilst at the same time improving employment opportunities for young people.

In 2012, we paid particular attention to the share of women in management positions. As part of our Vacancy Commitment, we plan to fill 25% to 30% of all management positions becoming vacant with women in the future.

Health and safety, page 75

According to estimates from the United Nations and the World Economic Forum, there is a risk of chronic, i.e., non-contagious, disease increasing substantially all over the world. We are responding to this risk with a health management programme, which we continuously update.

Although we find the financial impact of these risks to be moderate, we see the probability of occurrence as low due to the measures we have implemented.

Financial risks

Note 47

We report on the management of financial risks in the Notes to the consolidated financial statements. We do not consider the risks described therein to represent a threat to the continued existence of the Group as a going concern.

Risks from pending legal proceedings

On 5 November 2012, the *Bundeskartellamt* (federal cartel office) initiated proceedings against Deutsche Post AG based on suspicion of abusive behaviour with respect to agreements on mail transport with major customers. Based upon information from Deutsche Post AG's competitors, the authorities initially suspected that the company had violated the provisions of German and European antitrust law. Deutsche Post AG does not share this opinion. However, should the authorities find their suspicions confirmed, they may require Deutsche Post AG to refrain from certain acts or impose fines.

The European Commission's state aid ruling of 25 January 2012 concluded the formal investigation that it had initiated on 12 September 2007. In its review of the funding of civil servants' pensions, the European Commission concluded that Deutsche Post AG had received illegal state aid. It said that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG receiving a benefit, which it must repay to the Federal Republic of Germany. The Commission also stated that the precise amount to be repaid was to be calculated by the Federal Republic. In a press release, the European Commission had referred to an amount of between €500 million and €1 billion. Deutsche Post AG is of the opinion that the Commission's decision of 25 January 2012 cannot withstand legal review and has submitted an appeal to the European Court of Justice in Luxembourg. The Federal Republic of Germany has likewise appealed the decision.

To implement the state aid ruling, the federal government on 29 May 2012 called upon Deutsche Post AG to make a payment of €298 million, including interest. Deutsche Post AG paid that amount to a trustee on 1 June 2012 and appealed the recovery order. The payment made was reported solely in the balance sheet under non-current assets; the earnings position remained unaffected. The European Commission has thus far not expressed its final acceptance of the calculation of the state aid to be repaid. It cannot be ruled out that Deutsche Post AG will be required to make a higher payment.

More information about the state aid investigation and other legal proceedings is provided in the Notes.

➔ Note 50

Insurable risks

Our financing and insurance strategy also enabled us to make significant savings in 2012. It separates insurable risk 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 third-party 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 upon 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 third-party insurers.

OVERALL ASSESSMENT OF RISK POSITION

No foreseeable risk to the Group

International economic output has a significant impact on the performance of the logistics market and thus generally affects our revenue and earnings. However, the strengths of our business model are coming to the fore in the current volatile environment. Deutsche Post DHL is well positioned in terms of its operations. Strategically, the Group is positioned to benefit from momentum on the markets. In previous years, we further improved our cost structures and made them more flexible. In Germany, our future corporate profits could be affected by changes in the regulatory conditions pertaining to the domestic mail market. This assessment is also reflected in the credit ratings awarded by the ratings agencies.

➔ Financial position, page 42f.

To assess the overall risk, we evaluate scenarios for the individual risks and opportunities. We take the sum of the best case and worst case scenarios to calculate the total spectrum of results for each Group division. The sum of the expected cases of occurrence indicates the result currently estimated by those in charge. The Monte Carlo simulation additionally takes the probability distribution of the individual opportunities and risks into account.

On the whole, 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.

Strategic focus

CORPORATE STRATEGY

Strategy 2015 reaches half time

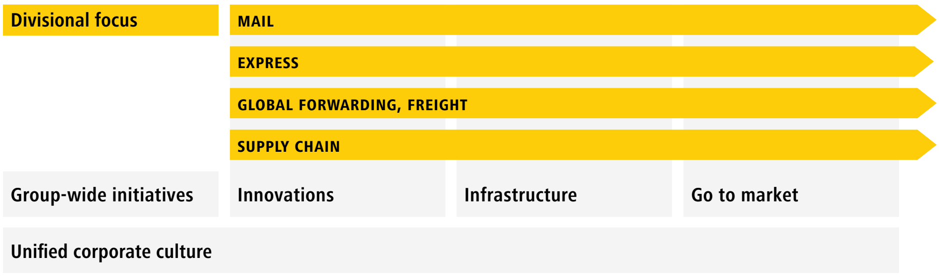
In 2009 we presented our Strategy 2015, which pursues three key objectives: we want to become the provider of choice for customers, an attractive investment for shareholders and the employer of choice for our staff.

→ Customers and quality, page 80ff.
→ Shares, page 34
→ Employees, page 73

In the reporting year, significant progress was achieved in all three objectives, which is reflected, for example, in customer satisfaction rates, the development of our share price and our financial figures as well as the encouraging results of our annual employee survey.

Our successes in these areas result from a combination of the operational strength of our divisions, market developments and global trends, all of which had a positive impact on our business. With an eye towards the goals we have set for 2015, we see three key strategic approaches: a strong divisional focus, Group-wide initiatives that leverage our operating business and a unified corporate culture and value set.

A.74 Strategic approaches


Divisional focus
MAIL
EXPRESS
GLOBAL FORWARDING, FREIGHT
SUPPLY CHAIN
Group-wide initiatives
Innovations
Infrastructure
Go to market
Unified corporate culture

STRATEGY AND GOALS OF THE DIVISIONS

A.75 Strategic priorities by division

	MAIL	EXPRESS	GLOBAL FORWARDING, FREIGHT	SUPPLY CHAIN
Markets	• Use online competitive advantage. • E-Postbrief. • Online advertising. • Europe's largest platform for online targeting. • Our own online shopping portal, MeinPaket.de.	• Use strong position in growth markets. • Continuously expand global ground and air network.	• Focus markets: BRIC+M. • Strengthen intra-regional trade in the Americas region. • Expand presence in the Asia Pacific region. • Improve network in sub-Saharan Africa.	• Deepening expertise in focus sectors and strategic products. • Ensuring knowledge exchange on best practices across regions and business units.
Customers	• Best service and highest quality at fair prices. • State-of-the-art sorting technology and IT in the mail network. • Adapt parcel network to increasing volumes. • Largest network of fixed-location retail outlets in Germany.	• Continuous customer dialogue along all interaction points. • Quality control centres guarantee reliability and speed.	• New products and services: e.g., DHL DOOR-TO-MORE and Cool LCL. • Expand expertise in specific sectors. • Continuously expand and refine network and processes. • New LCL lanes between China, South Korea and the USA.	• Continuously increasing our own performance, efficiency and competency. • Globally focused teams offer comprehensive solutions along the supply chain aimed at simplifying customers' business processes.
Employees	• Innovative Generations Pact. • State-of-the-art tools. • Occupational health and safety. • Childcare.	• "Certified International Specialist" (CIS) training programme for all employees. • New function-specific training modules such as "security" and "customer service".	• Strategic NFE project. • Forward-looking operating model with efficient processes and modern IT. • Globally harmonised and integrated organisation.	• Enhancing leadership qualities and employee commitment. • Attracting new talent and retaining and developing existing talent.
Profitability	• Make network costs more flexible. • Greater efficiency and lower costs through a new parcel production system.	• Continuously monitoring costs. • Structuring prices as required by economic factors.	• Continuously grow above the market average. • Improve profitability in sub-Saharan Africa.	• Improving existing and new business on an ongoing basis. • Managing and significantly lowering costs. • Profitable growth in key sectors and countries.

MAIL division

The following strategic approaches are how we aim to meet both today's and tomorrow's challenges. Our central goal is to make a stable and sustainable contribution of at least €1 billion to the Group's earnings.

- **Making costs more flexible:** To achieve this goal, we are adapting our networks to changing market conditions and making costs more flexible. We cut costs wherever possible and sensible. We also retain the high quality of our services and protect 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 quality but also lowers production costs and carbon dioxide (CO_2) emissions. In our parcel business, a new production system allows us to sort and transport parcels more efficiently, saving costs along the way.
- **Providing the highest quality to our customers:** We want to offer our customers the best service at the highest level of quality and at fair prices. Therefore, we are modernising the sorting equipment and IT architecture in our mail network on an ongoing basis. We are also investing in our parcel network and adapting it to increasing volumes on an ongoing basis. In the future, we want to deliver 95% of all items sent in Germany to customers the next day. Moreover, our customers receive real-time track and trace data and we are doing this with the environment in mind: the majority of our delivery services in Germany will be completely carbon neutral in the future. Proximity to our customers is important to us. We operate by far the largest network of fixed-location retail outlets in Germany, consisting of over 20,000 outlets and sales points. This includes our network of around 2,500 Packstations and around 1,000 Paketboxes. We are also expanding our successful co-operation with retailers.

➔ Corporate responsibility, page 76

- **Motivating our workforce:** The key to high quality and high performance are happy and dedicated employees. The current collective agreement in Germany established an innovative Generations Pact. Furthermore, we demonstrate how much we value our people by equipping them with state-of-the-art tools, counselling them on health issues and, at some locations, making childcare available.

➔ Employees, page 72

- **Tapping into new online markets:** We are taking advantage of our expertise in physical communications to offer competent digital communications. The internet is already strongly facilitating customers' access to our services, allowing them to calculate and purchase postage and also locate retail outlets and Packstations online and by mobile telephone. We are also investing in future growth areas in all our businesses: beyond our E-Postbrief product, we are active in the growing industry of online advertising. We operate Europe's largest platform for targeting (online advertising space marketing), provide the largest online German marketplace for journalistic content and are the first parcel delivery service in Germany to operate its own shopping portal. In addition, we are continuously exanding our online offering to include new industries, such as the shipment of food.

➔ Glossary, page 218

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EXPRESS division

In 2010, we introduced our FOCUS strategic programme, which involves four areas:

- **Employee motivation:** Our employees are very important to us and constitute our main competitive advantage in retaining current customers and winning new ones. The Certified International Specialist (CIS) training programme ensures that all our employees have the requisite knowledge of the international express business at their disposal. In the year under review, we added new modules such as "security" and "customer service". Training is carried out for specific functions as well as on a cross-functional basis. This adds to mutual understanding and reinforces the team atmosphere and loyalty to the division. In addition, we regularly honour employees who have proved to be International Specialists through special achievements.
- **Service quality:** Our strengths lie in the proximity to our customers and our ongoing improvement. We are optimising our workflows to make us the provider of choice when it comes to speed, reliability and cost-efficiency. At our quality control centres, we track shipments globally and adapt processes dynamically to enable us to guarantee quick delivery, even in the event of unforeseen circumstances. Reliability and speed are vital to our position as experts in international shipping.
- **Customer loyalty:** The customer is always the focus of attention of our approximately 100,000 employees. We place great value on customer opinion and make it as easy as possible for our customers to give feedback on our performance, whether via conventional customer service or in-person surveys. Moreover, we use our First Choice methodology to constantly review customer behaviour and customer response and to draw the necessary conclusions, starting with the customer's very first contact with the call centre, internet site or sales staff all the way to delivery of the shipment to the recipient and finally to invoicing.
- **Profitability:** To ensure a stable earnings contribution and growth over the long term, we make sustainable investments in our business. We are expanding our hubs and gateways so that we can respond to volume growth. We are adding to our aircraft fleet to offer customers additional and faster flight connections. Moreover, we continually monitor costs, improve processes and structure our prices as required by economic factors. Detailed reporting systems supply us with the relevant data and thus support profitability management at all levels and in all countries.

➔ Strategic focus, page 102

GLOBAL FORWARDING, FREIGHT division

We are already well positioned in our markets due to our global product offering in air and ocean freight and in overland transport. We aim to continuously achieve growth that exceeds the market average and to consolidate our leading position. To achieve this goal, we pursue three approaches:

Developing new solutions for our customers

We are constantly developing new products and services. Since June 2012 we have been offering DHL DOOR-TO-MORE, a door-to-door delivery service from the Asia Pacific region, to a number of destination markets in Europe. The product links our intercontinental freight traffic with our comprehensive overland transport network in Europe. It shortens transit times for our customers by offering streamlined and seamless operations. With Cool LCL we now transport smaller volumes of temperature-sensitive goods with a seamless cold supply chain, meeting the demand for the delivery of temperature-sensitive food items.

In addition, we are expanding our expertise in specific sectors. In the Automotive sector, our GLOBAL FORWARDING, FREIGHT division serves most of the world's leading original manufacturers and their most important suppliers. By sharing our expertise and industry know-how internationally, we are developing and improving sector-specific solutions. In addition, we are setting up a cross-divisional DHL global community to serve customers in the Chemicals sector. Emerging markets, increasing regulations and the responsibility for controlling future CO_2 emissions have made matters more complex for freight forwarders.

Building up a comprehensive transport network

For a freight forwarding company as large as ours, it is essential to continuously expand and optimise our network and operations. We continue to focus on the growing markets of Brazil, Russia, India, China and Mexico. In the Americas region, we have strengthened intra-regional trade; in the Asia Pacific region we have expanded our presence in China, India, Indonesia and Vietnam. In Africa, sub-Saharan countries are experiencing rapid growth. We are extending our network and, at the same time, focusing on improving our profitability in the region.

Since we consolidated the network that links Singapore, Thailand and Malaysia last year, we now offer customers flexible, secure and rapid overland transport options. We opened new LCL lanes to connect China and South Korea with North, Central and South America.

➔ Glossary, page 218

In the Freight business unit, we are making a concerted effort to improve our network and our sales organisation. Since 2012, we have now also been offering our services in Kazakhstan.

Simplifying and standardising processes

In the Global Forwarding business unit, the strategic project New Forwarding Environment (NFE) picked up significant speed during the reporting year. The goal is to develop a forward-looking operating model with efficient processes and state-of-the-art IT systems. NFE is intended to further underpin our position as industry leader.

We are increasing the transparency and quality of data for sales volumes, customer figures, capacities, operations and freight. This way we can manage our processes better, standardise products and offer modular services. In the future we intend to have one, globally harmonised and unified organisation with dedicated customer service. Customers will benefit from shorter response times, products tailored to their needs and targeted communication.

The plan is to realise the NFE project within the entire Global Forwarding business unit in the next two to three years.

SUPPLY CHAIN division

Our Growth Through Excellence strategy is aimed at improving our existing business on an ongoing basis and achieving profitable growth in our key sectors.

❶ **Continuous improvement:** We have established three programmes to continuously increase our performance, efficiency and competence. The first of these, known as Operations Excellence, promotes operational and technical standards aimed at guaranteeing the sustainability of our performance. We also apply the proven First Choice methodology to sustain the achievements we have realised and improve on them even further. Our Cost Leadership initiative is intended to reduce costs significantly and to manage them effectively in order to increase our overall profitability. We achieve this by leveraging purchasing efficiency, operating discipline and best practices. We thus succeeded in further reducing our direct costs in 2012. With our third programme, Organisational Capability, we seek to develop leadership qualities and enhance employee commitment. We want to attract new talent and retain and develop our existing talent. To this end, we have launched a top talent management programme.

➔ Strategic focus, page 102

❷ **Profitable growth:** Our Profitable Growth pillar also consists of three initiatives. In the Sector Focus programme, we continuously deepen our expertise in our sectors of Automotive, Consumer, Energy, Life Sciences & Healthcare, Retail and Technology. Dedicated global sector teams offer our customers comprehensive sector-specific solutions along the entire supply chain and ensure an exchange of knowledge on best practices across regions and business units. In our Strategic Products Replication initiative, we develop and reproduce logistics solutions aimed at simplifying customers' business processes. In doing so, we apply our proven standards and practices. One example is our Technical Services offering. Technical Services refers to processes that are integrated into the respective supply chain solutions and which we use to shorten repair cycles and thus notably reduce our technology customers' warehouse and transport costs. Thus far, in addition to Technical Services, we have replicated the following strategic products worldwide: Airline Business Solutions, E-Fulfilment, Environmental Solutions, Lead Logistics Provider, Life Sciences & Healthcare Platform, Maintenance, Repair & Operations and Packaging Services. With our Sales Effectiveness programme, we continuously improve the performance of our sales organisation by bolstering sales processes and customer support, learning to better understand our customers' business objectives and inquiring regularly as to their satisfaction.

GROUP-WIDE INITIATIVES

Group-wide initiatives complement business strategies

The business strategies of our divisions provide the basis for our Group strategy. Cross-divisional initiatives, which are aimed at increasing the satisfaction of our customers, employees and investors, complement these strategies.

- **DHL Customer Solutions & Innovation:** In order to deliver on our customer promise and to bundle all cross-divisional DHL activities, we have merged our key account management, Global Customer Solutions (GCS), our innovation unit, DHL Solutions & Innovations (DSI) and our strategic sector management. This allows us to offer innovative and sector-specific solutions from a single source and to give our customers a competitive advantage. In the reporting year, this unit supported 107 customers with a total annual revenue of around €9 billion. Compared with the divisions, this unit is seeing faster revenue growth.
- **First Choice Way:** Thus far, our Group-wide initiatives to enhance service quality and customer centricity have focused on using uniform instruments to improve internal processes. In 2012 we developed First Choice into a management approach, with which we support decentralised change and decision-making processes. More than 300 of these expanded initiatives were implemented in the reporting year.
- **BRIC+M:** We have a high presence and strong growth potential in the emerging economies of Brazil, Russia, India, China and Mexico (BRIC+M). The Group's Board of Management receives regular updates on our business performance in these countries. In the summer of 2012, our CEO also spent several weeks on a trip to China to learn about the business conditions and customer requirements there.
- **Personnel:** Despite the demographic change and a shortage of skilled professionals, in the future we wish to continue to build a management team staffed by local personnel, who can respond quickly to the conditions on the ground. We promote diversity within the Group, improve co-operation between the divisions and support cross-divisional career moves. We also want to increase the share of women in executive positions.
- **IT:** We are convinced that in the future IT will be a key value driver for the logistics business. Under the direction of our CEO, the Group-wide IT Board has passed measures that will make our IT an even greater competitive advantage in the future. These include uniform reporting systems, security standards and innovative applications.
- **Global Business Services:** We consolidated the internal services that support the entire Group, including Accounting, IT and Procurement, into our Global Business Services. This allows us to make even more efficient use of our resources as well as achieve savings and generate additional revenue. We shall continue to expand this potential in the coming years.

CORPORATE CULTURE

Further developing a unified corporate culture

As a unifying element, our corporate culture is a key factor for success. In order to harmonise this culture even more across our divisions, we developed an integrated management approach in 2012. The approach sees our executives providing strategic direction and understanding, supporting and working with others on common goals, and doing the right thing based upon a clear set of values. In the reporting year, this approach was presented to 375 executives within the Group in multi-day training sessions. Another 1,500 executives are scheduled to receive this training.

Our corporate responsibility initiatives represent one of the cornerstones of our corporate culture. These initiatives provide common values for our employees that go beyond economic aspects. Worthy of note in this respect are our GoTeach, GoHelp and GoGreen programmes. Furthermore, our Global Volunteer Day has been extremely well received around the world, bringing together our employees for one common goal: to help others.

➔ Corporate responsibility, page 76f.

Future organisation

No material changes to the organisation

No material changes to the Group's organisational structure are planned for financial year 2013.

Future economic parameters

Global economy stabilises after weak start to the year

At the beginning of 2013, the world economy is in an uncertain position and subject to a number of risks. The EMU sovereign debt crisis persists. In the United States, political bodies have not yet come to a comprehensive agreement on future taxation and spending policies and the budget ceiling has not yet been raised. If the negotiations are not successful, the US could fall into a recession with serious consequences for the global economy. Averting this risk and continuing to keep the EMU sovereign debt crisis in check are key factors in enabling global growth. Growth is likely to be driven by the emerging economies in particular. The International Monetary Fund (IMF) expects an increase in global economic output of 3.5% in 2013. Global trade is anticipated to see an even stronger upturn (IMF: 3.8%, OECD: 4.7%).

A.76 Global economy: growth forecast

%	2012	2013
World trade volumes	**2.8**	**3.8**
Real gross domestic product		
World	3.2	3.5
Industrial countries	1.3	1.4
Emerging markets	5.1	5.5
Central and Eastern Europe	1.8	2.4
CIS countries	3.6	3.8
Emerging markets in Asia	6.6	7.1
Middle East and North Africa	5.2	3.4
Latin America and the Caribbean	3.0	3.6
Africa south of the Sahara	4.8	5.8

Source: International Monetary Fund (IMF) World Economic Outlook, October 2012. Growth rates calculated on the basis of purchasing power parity.

In China, the government is making efforts to boost domestic demand. GDP growth is therefore expected to pick up slightly (IMF: 8.2 %).

The Japanese economy suffered a serious setback around the end of 2012. Even if the economy regains its footing during the course of 2013, conditions remain unfavourable. Private consumption and capital expenditure are likely to stagnate and exports to rise only marginally. GDP is therefore expected to experience only weak growth (IMF: 1.2%, OECD: 0.7%, Postbank Research: 0.3%).

In the United States, the economy is forecast to continue on a restrained growth path. Construction spending may again make strong advances. Private consumption is projected to rise moderately, reflecting the increase in employment figures. Foreign trade is not expected to provide any stimulus. Government spending will probably not remain a notable drain on the economy. Forecasts predict that GDP growth will decline slightly overall compared with the prior year (IMF: 2.0%, OECD: 2.0%, Postbank Research: 2.1%).

For the euro zone, indications are increasing that the economy will stabilise and could even recover marginally. Although domestic demand, capital expenditure and private consumption are likely to drop further, the decline will be slower than in recent periods. Foreign trade is expected to continue propping up the economy. However, GDP will see another slight dip in 2013 despite the low initial level (ECB: –0.3%, Postbank Research: –0.1%).

Early indicators such as the ifo German business climate index do suggest that the economy in Germany could stabilise. However, the upturn will remain marginal at the outset. Foreign trade is not expected to provide any stimulus. By contrast, construction spending should rise slightly. Capital expenditure will nonetheless remain weak, which is likely to be reflected negatively in the labour market. Private consumption will thus increase only slightly, despite the continuing rise in incomes. GDP will see slight growth at best (*Sachverständigenrat*: 0.8 %, Postbank Research: 0.6 %).

The fact that the global economic environment will be weak initially suggests stable oil prices. The Energy Information Administration anticipates a balanced ratio of supply to demand on the crude oil market in 2013.

In the United States, unemployment is not expected to drop below 6.5% in the foreseeable future. A consistent key interest rate of between 0% and 0.25% can therefore be expected for 2013. The ECB will in all likelihood keep its key interest rate at a constant 0.75% for some time. Capital market interest rates could nonetheless rise, although a weak economy and low key interest rates should keep yield spreads tight.

World trade grows, especially through Asia

Due to the economic risks in the industrial countries, the emerging markets in Asia are again expected to play a significant role in the growth of global trade in 2013. Whilst global trade volumes (transported quantity in tonnes) are likely to grow by approximately 3% in 2013, on the Asian routes growth is projected to increase more strongly.

Mail business in the digital age

Demand for mail in Germany depends on the trend in the ways our customers communicate and the extent to which digital media continue to replace the physical letter. We expect the market for mail communication to shrink, although demand for communication in general will continue to rise. By introducing the E-Postbrief, we have begun to use our expertise in physical communication to offer competent electronic communications and generate new business in the process. We have also prepared ourselves for continued, intense competition. For the first time in 15 years, we raised the prices of our *Standardbrief* and *Maxibrief* letter products at the beginning of 2013 in accordance with the price-cap procedure. The higher prices reflect the general price trend and will allow us to maintain the high quality of our nationwide postal service in Germany and also to continue offering attractive jobs.

➔ Glossary, page 218

➔ Glossary, page 218

According to forecasts by the *Zentralverband der deutschen Werbewirtschaft* (German advertising federation), the German advertising market will remain stable in 2013. This market is cyclical and currently finds itself in transition. We are seeing an overall shift in advertising expenditures as companies budget more for digital media and less for traditional advertising. The trend towards targeted advertising and combinations with internet offers is likely to continue. Moreover, we expect companies to resort increasingly to more economical forms of advertising. 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 by integrating online marketing.

The press services market is likely to keep contracting slightly because of the increasing use of new media. This will affect subscription numbers and average weights, thus also impacting our revenue. In the future we plan to increase the number of digital products we offer.

The international mail market takes its cue from how business customers communicate. This is an area in which we aim to tap into new business related to our core competency: mail, parcels and small packages.

The parcel market will continue to grow both in Germany and internationally. Business and private customers are increasingly making use of the online marketplace. We shall continue to drive this development and to expand our market position with our own portals, shipping and delivery services.

International express business will remain stable

Experience shows that growth in the international express market is highly dependent on the general economy. Despite the restrained projections for overall economic growth, however, we are optimistic, in light of the trend in volumes, that the express market will remain stable in 2013.

By using programmes to increase efficiency and quality as well as cost management we shall continue improving our earnings. We are confident that we shall remain on a growth path and defend or even further strengthen our leading market position.

Moderate market growth in the freight forwarding business

Air freight load factors stabilised in the reporting year, whilst freight aircraft utilisation declined. We expect this trend to continue in 2013.

Ocean freight capacities are increasing because new ships are being put into operation. However, market capacities are likely to be managed in such a way as to keep freight rates stable.

As in the reporting year, we expect European road transport volumes to grow slightly at best or even stagnate in 2013, which reflects the very cautious economic forecasts for the region.

Supply Chain market remains robust

The trend towards outsourcing warehouse and distribution services continues. For this reason, projections indicate that the market for contract logistics will continue to experience stable growth of more than 6%. Especially in periods of economic weakness with high cost pressure and increasingly complex supply chains, many companies prefer to outsource their logistics. Demand for Supply Chain services is expected to see particularly strong growth in emerging markets such as China, India, Brazil and Mexico, where we benefit from our strong market position.

The market for business process outsourcing is also expected to grow further. For the Williams Lea business unit, we anticipate strong growth on the basis of our powerful offering and the increasing development of our broad DHL customer base. Our Marketing Solutions business is likely to develop particularly well as it benefits from the acquisition of Tag in 2011.

Although the economic climate remains uncertain, we are ensuring by means of our Growth Through Excellence strategy that we shall continue to take advantage of our strengths – extensive reach and mature sector expertise – to profitably grow both new and existing business.

Revenue and earnings forecast

Expectations regarding how the global economy will perform in 2013 remain cautious and at the lower end of the long-term trend. As in the previous year, the economy is likely to grow by approximately 3%. As opposed to 2012, however, momentum should pick up as the year progresses. The global trading volumes relevant to our business are expected to perform similarly. We are therefore anticipating a corresponding revenue trend, with increasing revenue, particularly in the DHL divisions.

Against this backdrop, we expect consolidated EBIT to reach between €2.7 billion and €2.95 billion in financial year 2013. The MAIL division is likely to contribute between €1.1 billion and €1.2 billion to this figure. Compared with the previous year, we expect an additional improvement in overall earnings to between €2.0 billion and €2.15 billion in the DHL divisions. At around €–0.4 billion, the Corporate Center/Other result should be on par with the previous year.

In 2013, we plan to invest a maximum of €1.8 billion. In the coming years, we expect this figure to fall back to a normal level. In line with our Group strategy, we are targeting organic growth and anticipate only a few small acquisitions in 2013, as in the previous year. In 2013, operating cash flow will recover from the one-time charges in the reporting year and benefit from the expected earnings improvement.

Even in the face of an uncertain economic climate, particularly in the western economies, we believe that the Group will experience good earnings momentum. We expect a similarly positive business trend in 2014 as another step towards the earnings targets we defined for 2015. The cost reduction measures and growth programmes initiated in the MAIL division are expected to keep EBIT stable at €1 billion at the least, even though letter volumes are likely to continue their slow decline due to electronic substitution. In the DHL divisions, we expect EBIT, taking the earnings contribution in 2010 as the baseline, to improve at an annual average of 13% to 15% in the period from 2011 to 2015 as trading volumes continue to recover.

Our finance strategy calls for paying out 40% to 60% of net profits as dividends as a general rule. At the Annual General Meeting on 29 May 2013, we intend to propose to the shareholders that a dividend per share of €0.70 be paid for financial year 2012 (previous year: €0.70).

Projected financial position

Creditworthiness of the Group remains adequate

Based on the projected earnings trend for 2013, we expect the "FFO to debt" performance metric to improve and the rating agencies to continue to rank our creditworthiness as adequate.

Liquidity remains solid

We anticipate a deterioration in our liquidity in the first half of 2013 as a result of the annual prepayment due to Bundes-Pensions-Service für Post und Telekommunikation in January and the dividend payment for financial year 2012 in May. However, our operating liquidity situation will improve again significantly towards the end of the year due to the upturn in business that is normal in the second half.

In view of the January 2014 maturity date for the bond issued by Deutsche Post Finance B.V. in the amount of €0.9 billion, we shall analyse the option of refinancing under the Debt Issuance Programme and borrow from the capital market if necessary.

Investments of a maximum of €1.8 billion expected

In 2013 we plan to invest a maximum of €1.8 billion. In the coming years, we expect this figure to fall back to a normal level. We shall continue to focus on IT, machinery, transport equipment and aircraft.

In the MAIL division, we shall be further expanding our parcel network, digital growth areas and our direct customer business. As some investments were postponed, capital expenditure will surpass the level of the reporting year.

In the EXPRESS division, we expect capital expenditure to slightly exceed the level of the reporting year. We plan to continue renewing our aircraft fleet and to step up investments, particularly in Asia and the Middle East.

In the GLOBAL FORWARDING, FREIGHT division, we are planning slightly lower investments for 2013. We shall continue to invest in IT solutions and in modernising or expanding our warehouses, especially in the Asia Pacific region.

In the SUPPLY CHAIN division, capital expenditure is expected to fall slightly. Investments will focus on supporting new business and expanding existing business in America, the Asia Pacific region and the UK.

Cross-divisional capital expenditure is expected to decrease slightly in 2013. Investments will again be centred on our vehicle fleet and IT.

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

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

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CORPORATE GOVERNANCE

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REPORT OF THE SUPERVISORY BOARD

WULF VON SCHIMMELMANN
Chairman

DEAR SHAREHOLDERS,

In the 2012 financial year, Deutsche Post DHL continued to grow in a volatile environment and made clear progress towards its three goals of being the provider, investment and employer of choice in its market.

Advising and overseeing the Board of Management

In 2012, the Supervisory Board scrutinised Group and divisional strategy and performance at seven Supervisory Board meetings and one closed meeting. At the meetings, the Board of Management provided us with detailed information on the situation and direction of the company and the Group, strategic initiatives, all key issues related to planning and implementation, and the opportunities and risks for business performance. Special attention was given to the European Commission's state aid ruling and the additional VAT payment. The Supervisory Board has continued to monitor the global economic situation and the performance of acquisitions and business units in the context of the divisional growth strategies. All important decisions were discussed in detail with the Board of Management. The Board of Management informed us promptly and in a comprehensive manner regarding business performance, key business transactions and projects in the divisions, compliance organisation and compliance management, and the company's risk exposure and risk management. The Board of Management also provided the chairman of the Supervisory Board with continuous updates between Supervisory Board meetings. Measures requiring the consent of the Supervisory Board were discussed in even greater depth, and in advance by the relevant committees. The results of the deliberations were presented by the respective committee chairs to the plenary meetings.

Seven meetings during the reporting year

Four Supervisory Board meetings took place during the first half of the year and three in the second. All members participated in at least 50 % of the meetings. The overall participation rate was approximately 95 %.

On 24 January 2012 we met in an extraordinary meeting to address the European Commission's charge that Deutsche Post had received illegal state aid. In a related ruling, the European Commission required the German federal government to issue an official demand to Deutsche Post for the repayment of state aid. Deutsche Post and the federal government have appealed against the European Commission's decision.

At the financial statements meeting on 7 March 2012, with the auditors in attendance, we discussed and approved the annual and consolidated financial statements for 2011. At that meeting we also accepted Walter Scheurle's resignation from the Board of Management. Angela Titzrath had already been appointed in December 2011 to succeed Walter Scheurle. In addition, we adopted the Supervisory Board's proposed resolutions for the Annual General Meeting (AGM), assessed whether the Board of Management had achieved its targets for the 2011 financial year and discussed ways to provide targeted support to put more women in management positions within the Group. We also discussed the outcome of the review on the efficiency of the Supervisory Board's work.

A further extraordinary meeting of the Supervisory Board was convened on 31 May 2012 to address the additional VAT payment demanded by German tax authorities for the period from 1998 to 2010.

At the meeting of the Supervisory Board on 28 June 2012, we approved the acquisition of intelliAd Media GmbH. This acquisition strengthens Deutsche Post's position in the field of online marketing. Matters relating to the Board of Management, including the remuneration of its members, were also dealt with.

On 19 September 2012, the company organised a Directors' Day to provide Supervisory Board members with basic and further training. Selected speakers gave presentations on the internal control and risk management system and recent changes to accounting standards. In the meeting on 20 September 2012, part of which was conducted without the Board of Management members, we discussed the appropriateness of the Board of Management's remuneration and its various components. Over the following one-and-a-half days, the Supervisory Board met in closed session for a detailed discussion on implementing Strategy 2015 within the Group and the divisions. In order to provide an outside perspective to supplement its view of the Group, a number of distinguished guest speakers were also invited.

On 3 December 2012 a further extraordinary meeting took place, in which the Supervisory Board authorised the issue of convertible bonds to secure the continued funding of pension obligations. The decision regarding the final terms was delegated to the Finance and Audit Committee.

Following in-depth discussions in the Supervisory Board's final meeting of the year on 11 December 2012, we adopted the business plan for 2013 and agreed the Board of Management's targets for 2013. In addition, we considered the Supervisory Board's remuneration and agreed on a recommendation to the AGM. The target composition of the Supervisory Board was amended, such that the proportion of independent members of the Supervisory Board, as defined in paragraph 5.4.2 of the German Corporate Governance Code, should be at least 75 %. Together with the Board of Management, we again submitted an unqualified Declaration of Conformity with the German Corporate Governance Code.

Hard work by the committees

The Executive Committee met five times during the year under review. Meeting agendas focused primarily on business-related questions and Board of Management matters.

The Personnel Committee met four times, examining both existing and planned measures to promote women in management. The committee discussed the global First Choice Way management approach, the Group's data protection guidelines, and the topics "health management", "global volunteering day" and programmes for employees and their children. The annual employee opinion survey was also discussed.

The Finance and Audit Committee met nine times. The chairman, Hero Brahms, is a financial expert as defined by sections 100 (5) and 107 (4) of the *Aktiengesetz* (AktG – German Stock Corporation Act). At its meeting in March, the committee examined the annual and consolidated financial statements for 2011 and recommended that these be approved by a plenary meeting of the Supervisory Board. The auditors attended this meeting. Following the AGM, the Finance and Audit Committee engaged the auditors to perform an audit of the 2012 annual and consolidated financial statements and the interim financial report for the first half of the year. The committee also defined the key audit priorities. In advance of their publication, the reviewed quarterly financial reports and the interim financial report for the first half of the year were discussed by the committee together with the Board of Management and the auditors. The main risk factors for the Group were also discussed at the March meeting as planned.

At an extraordinary meeting on 31 May 2012, the Finance and Audit Committee discussed the additional VAT payment demanded for the period from 1998 to 2010.

With regard to the acquisition and disposal of companies, in its meeting of 21 June 2012 the committee discussed the acquisition of intelliAd Media GmbH. The committee was apprised of other acquisitions and disposals during the course of the year. The results of the internal audit were also discussed by the committee.

At its meeting on 14 September 2012, the Finance and Audit Committee received a detailed progress report on compliance organisation and compliance management from the Chief Compliance Officer. The main risk factors for the Group were also discussed further.

On 3 and 4 December 2012, the Finance and Audit Committee considered the proposed convertible bond issue and approved the relevant Board of Management resolution. In addition, on 4 December, the committee examined the business plan for the years from 2013 to 2015 and approved the internal audit plan for 2013. The committee regularly discussed the Group's business development and the internal control and risk management system. The appropriateness of the Group's accounting system was discussed by the committee together with the auditors.

The Nomination Committee met on one occasion in 2012 to consider nominations for the 2013 AGM.

The chairs of the committees reported on the committees' deliberations in the subsequent plenary meetings.

In 2012 there were no meetings of the Mediation Committee, formed pursuant to section 27 (3) of the *Mitbestimmungsgesetz* (MitbestG – German Co-determination Act).

Changes to the composition of the Supervisory Board and Board of Management

No changes occurred during 2012 with regard to the shareholder representatives on the Supervisory Board of Deutsche Post AG. With respect to employee representatives, Wolfgang Abel stepped down on 12 September 2012 and Stephan Teuscher was appointed by the court on 29 October 2012. In accordance with the *Mitbestimmungsgesetz*, a Delegate Assembly will be held in April 2013 to elect or re-elect all employee representatives. The elected representatives' five-year term of office will commence when the AGM closes on 29 May 2013.

The company's Board of Management changed as follows: Walter Scheurle stepped down from the Board of Management on 30 April 2012. Angela Titzrath took over the position of Board Member for Human Resources and Labour Director on 1 May 2012.

Managing conflicts of interest

No conflicts of interest arose during the reporting year.

Company in compliance with all recommendations of the German Corporate Governance Code

In December 2012, the Board of Management and the Supervisory Board submitted an unqualified Declaration of Conformity pursuant to section 161 of the AktG and published it on the company's website. The declarations from previous years can also be viewed on this website. In the 2012 financial year, Deutsche Post AG complied with all recommendations of the German Corporate Governance Code, as amended on 26 May 2010, and also intends to comply with the recommendations of the code, as amended on 15 May 2012. The Corporate Governance Report (page 119 ff.) contains further information on corporate governance within the company and the remuneration report.

Annual and consolidated financial statements audited

The auditors appointed by the AGM, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, audited the annual and consolidated financial statements for the 2012 financial year, including the respective management reports, and issued unqualified audit opinions. PwC also conducted the review of the quarterly financial reports and the interim report for the first half of the year.

Following a detailed preliminary assessment by the Finance and Audit Committee, the Supervisory Board reviewed the annual and consolidated financial statements and the management reports for the 2012 financial year at the financial statements meeting held on 4 March 2013. The review included the Board of Management's proposal for the appropriation of the unappropriated surplus. The auditors' reports were made available to all Supervisory Board members and were discussed in detail with the Board of Management and the auditors in attendance. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements for the 2012 financial year. Based on the final outcome of the examination of the annual and consolidated financial statements, on the management reports and on the proposal for the appropriation of the unappropriated surplus by the Supervisory Board and the Finance and Audit Committee, there are no objections to be raised. The Supervisory Board endorses the Board of Management's proposal for the appropriation of the unappropriated surplus and the payment of a dividend of €0.70 per share.

We would like to thank the Board of Management and all the Group's employees for their excellent work in a volatile environment. The Supervisory Board is confident that the company is well on the way to achieving the goals set out in Strategy 2015.

Bonn, 4 March 2013
The Supervisory Board

Wulf

Wulf von Schimmelmann
Chairman

SUPERVISORY BOARD

B.01 Members of the Supervisory Board

Shareholder representatives

Prof. Dr Wulf von Schimmelmann (Chair)
Former CEO of Deutsche Postbank AG

Hero Brahms
Management consultant

Werner Gatzer
State Secretary, Federal Ministry of Finance

Prof. Dr Henning Kagermann
Former CEO of SAP AG

Thomas Kunz
CEO of Danone Dairy, member of the Executive Committee of Danone S.A., France

Roland Oetker
Managing Partner, ROI Verwaltungsgesellschaft mbH

Dr Ulrich Schröder
CEO of KfW Bankengruppe

Dr Stefan Schulte
Chair of the Executive Board of Fraport AG

Elmar Toime
Managing Director, E Toime Consulting Ltd.

Prof. Dr-Ing. Katja Windt
Bernd Rogge Chair of Global Production Logistics

Provost and Vice President of Jacobs University Bremen gGmbH (since 1 January 2013)

Employee representatives

Andrea Kocsis (Deputy Chair)
Deputy Chair of ver.di National Executive Board and Head of Postal Services, Forwarding Companies and Logistics on the ver.di National Executive Board

Rolf Bauermeister
Head of Postal Services, Co-determination and Youth and Head of National Postal Services Group at ver.di national administration

Heinrich Josef Busch
Chair of the Group and Company Executive Representation Committee, Deutsche Post AG

Thomas Koczelnik
Chair of the Group Works Council, Deutsche Post AG

Anke Kufalt
Member of the Works Council, DHL Global Forwarding GmbH, Hamburg

Andreas Schädler
Chair of the General Works Council, Deutsche Post AG

Sabine Schielmann
Member of the Executive Board of the General Works Council, Deutsche Post AG

Stephan Teuscher (since 29 October 2012)
Section Head of politics referring to tariffs, civil servants and social matters in the department Postal Services, Forwarding Companies and Logistics at ver.di national administration

Helga Thiel
Deputy Chair of the General Works Council, Deutsche Post AG

Stefanie Weckesser
Deputy Chair of the Works Council, Deutsche Post AG, MAIL Branch, Augsburg

Left in financial year 2012

Wolfgang Abel (until 12 September 2012)
Head of Postal Services, Forwarding Companies and Logistics, ver.di Regional District of Hamburg (until 30 June 2012)

District head of ver.di Hamburg (since 1 July 2012)

B.02 Committees of the Supervisory Board

Executive Committee

Prof. Dr Wulf von Schimmelmann (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister
Werner Gatzer
Roland Oetker
Stefanie Weckesser

Finance and Audit Committee

Hero Brahms (Chair)
Wolfgang Abel (Deputy Chair), until 12 September 2012
Stephan Teuscher (Deputy Chair), since 11 December 2012
Werner Gatzer
Thomas Koczelnik
Dr Stefan Schulte
Helga Thiel

Personnel Committee

Andrea Kocsis (Chair)
Prof. Dr Wulf von Schimmelmann (Deputy Chair)
Thomas Koczelnik
Roland Oetker

Mediation Committee (pursuant to section 27 (3) of the German Co-determination Act)

Prof. Dr Wulf von Schimmelmann (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister
Roland Oetker

Nomination Committee

Prof. Dr Wulf von Schimmelmann (Chair)
Werner Gatzer
Roland Oetker

KEN ALLEN

EXPRESS

Born in 1955
Member since February 2009
Appointed until February 2017

BRUCE EDWARDS

SUPPLY CHAIN

Born in 1955
Member since March 2008
Appointed until March 2016

ROGER CROOK

GLOBAL FORWARDING, FREIGHT

Born in 1957
Member since March 2011
Appointed until March 2014

JÜRGEN GERDES

MAIL

Born in 1964
Member since July 2007
Appointed until June 2015

Former member of the Board of Management

WALTER SCHEURLE

PERSONNEL

Born in 1952
Member from April 2000
until April 2012

DR FRANK APPEL

CHIEF EXECUTIVE OFFICER

Born in 1961
Member since November 2002,
CEO since February 2008
Appointed until October 2017

ANGELA TITZRATH

HUMAN RESOURCES

Born in 1966
Member since May 2012
Appointed until April 2015

LAWRENCE ROSEN

FINANCE, GLOBAL BUSINESS SERVICES

Born in 1957
Member since September 2009
Appointed until August 2017

MANDATES

B.03 Mandates held by the Board of Management

Membership of supervisory boards required by law	Membership of comparable bodies	
Lawrence Rosen Deutsche Postbank AG	**Ken Allen** DHL-Sinotrans International Air Courier Ltd[1] (Board of Directors) **Roger Crook** DHL Global Forwarding Management (Asia Pacific) Pte Ltd[1] (Board of Directors)	**Bruce Edwards** Ashtead plc (Board of Directors) Greif, Inc. (Board of Directors) Williams Lea Group Limited[1] (Board of Directors) Williams Lea Holdings PLC[1] (Board of Directors, Chair)

[1] Group mandate.

B.04 Mandates held by the Supervisory Board

Shareholder representatives		Employee representatives
Membership of supervisory boards required by law	**Membership of comparable bodies**	**Membership of supervisory boards required by law**
Prof. Dr Wulf von Schimmelmann (Chair) Allianz Deutschland AG (since 23 March 2012) Maxingvest AG **Hero Brahms** Georgsmarienhütte Holding GmbH (Deputy Chair) Krauss-Maffei-Wegmann GmbH & Co. KG Live Holding AG (Chair) Telefunken SE Wincor Nixdorf AG (until 23 January 2012) **Werner Gatzer** Bundesdruckerei GmbH Flughafen Berlin-Schönefeld GmbH g.e.b.b. mbH (until 25 May 2012) **Prof. Dr Henning Kagermann** BMW AG Deutsche Bank AG Franz Haniel & Cie. GmbH (since 27 November 2012) Münchener Rückversicherungs-Gesellschaft AG **Roland Oetker** Evotec AG **Dr Ulrich Schröder** DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH Deutsche Telekom AG **Elmar Toime** message AG (Chair) **Prof. Dr-Ing. Katja Windt** Fraport AG (since 11 May 2012)	**Prof. Dr Wulf von Schimmelmann** (Chair) Accenture Corp., Ireland (Board of Directors) Thomson Reuters Corp., Canada (Board of Directors) Western Union Company, USA (Board of Directors) **Hero Brahms** Zumtobel AG, Austria (Supervisory Board, Deputy Chair) **Prof. Dr Henning Kagermann** Nokia Corporation, Finland (Board of Directors) Wipro Ltd., India (Board of Directors) **Roland Oetker** Rheinisch-Bergische Verlagsgesellschaft mbH (Supervisory Board) **Dr Ulrich Schröder** "Marguerite 2020": European Fund for Energy, Climate Change and Infrastructure (Supervisory Board) **Elmar Toime** Blackbay Ltd., United Kingdom (Non-Executive Director) Postea Inc., USA (Non-Executive Chairman)	**Rolf Bauermeister** Deutsche Postbank AG **Andreas Schädler** PSD Bank Köln eG (Chair) **Stephan Teuscher** (since 29 October 2012) DHL Hub Leipzig GmbH (Supervisory Board, Deputy Chair since 25 January 2013) **Helga Thiel** PSD Bank Köln eG (Deputy Chair)

CORPORATE GOVERNANCE REPORT

Annual Corporate Governance Statement pursuant to section 289a of the HGB

In this Annual Corporate Governance Statement, the company presents the main components of Deutsche Post DHL's corporate governance structure. These include the Declaration of Conformity from the Board of Management and the Supervisory Board, information regarding significant corporate governance practices that exceed legal requirements, information concerning the working methods of the Board of Management and the Supervisory Board, and details regarding the composition and working methods of the executive committees and other committees, as well as the targets for the composition of the Supervisory Board.

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

Company in compliance with all recommendations of the German Corporate Governance Code

In December 2012, the Board of Management and the Supervisory Board again submitted an unqualified Declaration of Conformity pursuant to section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act), which reads as follows:

"The Board of Management and the Supervisory Board of Deutsche Post AG declare that the recommendations made by the Government Commission on the German Corporate Governance Code, as amended on 26 May 2010, have been complied with, also since the last Declaration of Conformity in December 2011, and that Deutsche Post AG intends to comply with all recommendations of the Code, as amended on 15 May 2012 in the future."

We also implemented the suggestions set forth in the code, with one exception: the Annual General Meeting will only be broadcast on the internet until the start of the general debate.

Specific corporate governance practices

With the guiding principle of "respect and results", we set our corporate governance the daily challenge of achieving first-class results whilst adhering to our sense of responsibility for the needs of our employees and customers. As a globally operating company and corporate citizen, we bear great responsibility for the environment and for living conditions in the regions in which we operate. This is a responsibility that we take seriously.

In 2012 we carried out another employee opinion survey throughout the Group, in which 80% of our employees again took part. We are proud that our employees are satisfied with their working conditions and that the results of the survey continue to show improvements in all key indicators for the fourth consecutive year.

➔ Employees, page 73

In addition, independent consumer studies have again proven how satisfied customers are with our services. In Germany, the survey of private customers carried out by the *Kundenmonitor Deutschland* independent market study showed 96% (previous year: 95%) of those surveyed to be satisfied with Deutsche Post's mail service and that 92% (previous year: 90%) were satisfied with our retail outlet service.

➔ Customers and quality, page 80ff.

Corporate responsibility is a key component of our corporate strategy. In these efforts we concentrate above all on environmental protection and a commitment to social responsibility. Our commitment was again recognised by leading sustainability indices in the reporting year.

➔ Corporate responsibility, page 76f.

Code of Conduct, diversity and compliance management

Deutsche Post DHL has developed a Code of Conduct that has been applicable in all regions and in all divisions since the middle of 2006. The Code of Conduct lays down guidelines for day-to-day workplace conduct for some 475,000 employees. Our principles are respect, tolerance, honesty, openness, integrity towards employees and customers, and the willingness as a company to assume social responsibility. The Code of Conduct also sets out our commitment to the health and well-being of our employees as well as equal opportunities and diversity.

➔ Page 75

We consider the health and safety of our employees to be prerequisites for performance and motivation and a key factor in the company's continued success. Targeted initiatives and activities are implemented to improve our employees' health. Each year we recognise exemplary health initiatives with our Corporate Health Award.

➔ Diversity, page 74

As part of our work to promote equality, we have committed ourselves to filling 25% to 30% of all management positions becoming vacant with women. The proportion of women in upper and middle managerial positions around the world has risen slightly to 18.5% (previous year: 17.6%), a positive trend we intend to accelerate. The Supervisory Board supports the Group's diversity strategy, with a particular focus on the objective of increasing the number of women on the Board of Management. It sees the efforts for greater diversity as being part of long-term succession planning, for which the Supervisory Board and Board of Management are jointly responsible. In the opinion of the Supervisory Board, the targeted increase in the number of women in executive positions is necessary to ensure that, overall, more suitable female candidates are available for vacant positions on the Board of Management. This will allow the Supervisory Board to give more consideration to women when appointing members to the Board of Management. The international composition of the Board of Management already strongly reflects the global activity of the company.

The Code of Conduct is underpinned by two guidelines. The anti-corruption policy gives clear instructions on how to handle gifts, benefits and offers of hospitality. Improper payments (bribery) are prohibited. The competition compliance policy gives specific guidelines on the prohibition of agreements with competitors. The code of conduct for suppliers is included in all new procurement contracts and has been added to existing long-term framework agreements. It obliges suppliers to adhere to ethical and ecological standards. A ban on child and forced labour is in place. Salaries and working times must comply with national laws and regulations.

At Deutsche Post DHL, the Chief Compliance Officer is responsible for the compliance management system and reports directly to the Chief Financial Officer. The Chief Compliance Officer is supported by the Global Compliance Office, which establishes compliance management standards on a Group-wide basis and supports the corresponding activities of the divisions. Each of the four operating divisions has a Compliance Officer, who regularly presents a report to the divisional Board of Management member. These reports are incorporated into the Chief Compliance Officer's reports to the Board of Management and to the Finance and Audit Committee of the Supervisory Board.

One of the main functions of compliance management at Deutsche Post DHL is to implement a systematic process which allows for the identification of potential compliance risks, the evaluation of compliance matters relating to business partners, co-ordinated reporting of any breaches of law or guidelines, the central management of guidelines and the development and implementation of training and communication on compliance. In particular, 2012 saw the further development of guidelines governing the review process for business partners. These now form a compulsory part of our anti-corruption policy. In addition, steps were taken to improve Group-wide communication on compliance matters in order to remind employees of their relevance and brief them specifically on the code of conduct. This communication was supported by training courses.

Working methods of the Board of Management and the Supervisory Board

As a German listed public limited company, Deutsche Post follows a dual management system. The Board of Management is responsible for the management of the company. It is appointed, overseen and advised by the Supervisory Board.

➔ Members, page 116f.
Mandates, page 118

In addition to the board departments of the Chief Executive Officer (CEO), the CFO and the Board Member for Human Resources, the Board of Management also includes the operating board departments of MAIL, GLOBAL FORWARDING, FREIGHT, EXPRESS and SUPPLY CHAIN.

With the consent of the Supervisory Board, the Board of Management has established rules of procedure that lay down objectives for structure, management and co-operation within the Board of Management. Within this framework, each board member manages their department independently and informs the rest of the Board on key developments at regular intervals. The Board of Management as a whole decides on matters of particular significance for the company or the Group. In addition to tasks that it is prohibited by law from delegating, these include all decisions that must be presented to the Supervisory Board for approval. The entire Board of Management also decides on matters brought forth by one member of the Board of Management for decision by the Board of Management as a whole.

In making their decisions, the members of the Board of Management may not pursue personal interests or exploit business opportunities due to the company for their own benefit. They are required to disclose any conflicts of interest to the Supervisory Board without delay.

The Supervisory Board advises and oversees the Board of Management and appoints the members of the Board of Management. It has established rules of procedure that include the fundamental principles of its internal structure, a catalogue of Board of Management transactions requiring its approval and rules for the Supervisory Board committees. It meets at least twice every six months in a calendar year, with special meetings held whenever particular developments or measures need to be discussed or decided quickly. In financial year 2012, the Supervisory Board met for seven plenary meetings, 19 committee meetings and one closed meeting, as described in the report of the Supervisory Board.

➔ Members, page 115
Mandates, page 118

➔ Page 115

➔ Page 111ff.

The Board of Management and the Supervisory Board are in regular contact regarding strategic measures, planning, business development, risk exposure and risk management as well as company compliance. The Board of Management informs the Supervisory Board promptly and comprehensively on all topics of significance.

All Supervisory Board decisions, particularly those concerning transactions that require its approval, are deliberated and discussed extensively in the relevant committees. At each plenary meeting, the Supervisory Board is informed in detail about the work and decisions of its committees.

In making their decisions, the members of the Supervisory Board may not pursue personal interests or exploit business opportunities due to the company for their own benefit. They are required to disclose any conflicts of interest to the Supervisory Board. Any significant conflicts of interest on the part of a Supervisory Board member that are not merely temporary in nature should lead to that member's resignation from the Board. In the Supervisory Board's estimation, the Supervisory Board contains an adequate number of independent members as defined by the German Corporate Governance Code.

Executive committees and Supervisory Board committees

Executive committees prepare the decisions to be made by the Board of Management as a whole and make decisions on matters assigned to them. Their duties include preparing or deciding on investments and transactions in the various divisions. The Deutsche Post Executive Committee is responsible for the MAIL division and the cross-divisional DHL Executive Committee is in charge of the EXPRESS, GLOBAL FORWARDING, FREIGHT and SUPPLY CHAIN divisions. The CEO, the CFO, the Board Member for Human Resources and the respective board members of the divisions are represented on the committees. Along with the relevant members of the Board of Management, the executive committees also include first-tier executives below the Board of Management level, in some cases on a permanent basis (those, for example, responsible for the operating business) and in some cases to assist with special topics. Procurement and Controlling are called in to consult on capital expenditure, for instance, and Corporate Finance, Corporate Development and Legal Services in the case of acquisitions. The DHL Executive Committee and the Deutsche Post Executive Committee each meet at least once a month.

Furthermore, business review meetings take place once per quarter. These meetings are part of the strategic performance dialogue between the divisions, the CEO and the CFO. They comprise discussions on strategic measures, operating topics and the budget situation of the divisions.

➔ Pages 116f. and 118

For the members of the Board of Management, see Board of Management and Mandates held by the Board of Management.

The Supervisory Board has formed five committees to ensure the efficient discharge of its duties; in particular, these committees prepare the resolutions of the plenary meetings of the Supervisory Board. Decisions on certain topics are delegated by the Supervisory Board to the individual committees for a final decision.

The Executive Committee's duties include arranging the appointment of members of the Board of Management and the establishment of management board remuneration by the plenary meeting of the Supervisory Board. The current members of the Executive Committee are Wulf von Schimmelmann (Chair), Andrea Kocsis (Deputy Chair), Rolf Bauermeister, Werner Gatzer, Roland Oetker and Stefanie Weckesser.

The Finance and Audit Committee oversees the accounting process, the effectiveness of the internal control system, the risk management and internal auditing systems as well as the financial statement audit. It examines questions of compliance and discusses the half-yearly and quarterly financial reports with the Board of Management before they are published. Based on its own preliminary assessment, it makes proposals for the approval of the annual and consolidated financial statements by the Supervisory

Board. The current members of the Finance and Audit Committee are Hero Brahms (Chair), Stephan Teuscher (Deputy Chair, appointed 11 December 2012), Werner Gatzer, Thomas Koczelnik, Stefan Schulte and Helga Thiel. The chairman of the Finance and Audit Committee, Hero Brahms, is a financial expert as defined by sections 100 (5) and 107 (4) of the AktG. Since 1982 he has been CFO at various companies, most recently at Linde AG, where he was responsible for balance sheets, taxation, business management, audits, corporate governance and finance.

The Personnel Committee discusses human resources principles for the Group. The Personnel Committee's current members are Andrea Kocsis (Chair), Wulf von Schimmelmann (Deputy Chair), Thomas Koczelnik and Roland Oetker.

The Mediation Committee carries out the duties assigned to it pursuant to the *Mitbestimmungsgesetz* (MitbestG – German Co-determination Act). The current members of the Mediation Committee are Wulf von Schimmelmann (Chair), Andrea Kocsis (Deputy Chair), Rolf Bauermeister and Roland Oetker.

The Nomination Committee presents to the shareholder representatives of the Supervisory Board recommendations on the choice of members of the Supervisory Board by the AGM. In doing so, it takes into consideration the objectives adopted by the Supervisory Board concerning its composition. The current members of the Nomination Committee are Wulf von Schimmelmann (Chair), Werner Gatzer and Roland Oetker.

Information about the work of the Supervisory Board and its committees in financial year 2012 is also contained in the report of the Supervisory Board. You can find information about the members of the Supervisory Board and the composition of the Supervisory Board committees under the sections Supervisory Board and Mandates held by the Supervisory Board.

➔ Page 111ff.

➔ Pages 115 and 118

Targets for the composition of the Supervisory Board

In December 2012, the Supervisory Board resolved to comply with the supplementary recommendation of the Government Commission on the German Corporate Governance Code with respect to the objectives for the composition of the Supervisory Board. This means that it will now also consider the number of independent members of the Supervisory Board when setting those objectives:

❶ Nominations put forward by the Supervisory Board for the election of Supervisory Board members by the AGM should focus solely on the good of the company. In this context, the Supervisory Board is working towards a position where, by 2015, at least 75% of the members of the full Supervisory Board are independent, as defined in section 5.4.2 of the German Corporate Governance Code, and at least 30% are women.

❷ The present composition of the Supervisory Board already adequately reflects the company's international operations. The Supervisory Board aims to maintain this and to continue to consider candidates in future nominations for election by the AGM who, by virtue of their background, education or profession, possess special international knowledge and experience.

❸ Conflicts of interest amongst members of the Supervisory Board stand in the way of the independent and effective guidance and supervision of the Board of Management. The Supervisory Board decides in each individual case, within the scope of the law and in accordance with the German Corporate Governance Code, how to deal with potential or arising conflicts of interest.

❹ In accordance with the age limit set by the Supervisory Board and anchored in its rules of procedure, nominations for the election of Supervisory Board members will take into account the fact that a term of office is intended to end, at the latest, at the close of the duly convened AGM following the member's 72nd birthday.

The composition of the Supervisory Board remained largely unchanged during the reporting period and is in accordance with the above-mentioned targets. In particular, the current composition of the Supervisory Board in fact also exceeds the specific objective relating to the number of independent members. In respect of the other objectives, the Supervisory Board was able to maintain the satisfactory level which had already been achieved. There are six female members of the Supervisory Board, meaning that women currently make up 30 % of its members. The company's international operations are adequately taken into account. Numerous members possess special international knowledge and experience.

Remuneration report

The remuneration report also forms part of the Group Management Report.

Remuneration structure of the Group Board of Management in financial year 2012

The total remuneration paid to individual Board of Management members for financial year 2012 was determined by the Supervisory Board, which held consultations to resolve on the remuneration system for the Board of Management, including the main contractual elements. In so doing it obtained advice from an independent remuneration consultant.

The Board of Management remuneration reflects the size and global reach of the company, its economic and financial situation and the roles and achievements of the individual members. It is set to ensure competitiveness with comparable German and international companies, thus incentivising the Board of Management members to deliver maximum performance and achieve results.

The remuneration paid to the Board of Management for 2012 is in line with standard market practice, appropriate to the tasks involved and designed to reward performance; it comprises fixed (non-performance-related) elements and variable (performance-related) elements, which include short, medium and long-term incentives.

Non-performance-related components are the annual base salary (fixed annual remuneration), fringe benefits and pension commitments. The annual base salary is paid in twelve equal monthly instalments retroactively at the end of each month. Fringe benefits mainly comprise the use of company cars, supplements for insurance premiums and special allowances and benefits for assignments outside the home country.

The variable remuneration paid to the Board of Management is almost entirely medium and long-term based. Half of the variable remuneration consists of a long-term incentive plan with a four-year calculation period; the other half is made up of an annual bonus linked to the company's yearly profits, with 50 % of the annual bonus flowing into a medium-term component with a three-year calculation period (deferral). Thus, only 25 % of the variable remuneration component is paid out on the basis of a one-year calculation.

The medium-term component described is applicable to all employment contracts and contract renewals entered into after the effective date of the *Gesetz zur Angemessenheit der Vorstandsvergütung* (VorstAG – German Act on the Appropriateness of Management Board Remuneration) (5 August 2009). For all contracts concluded prior to that date, 25% of the annual bonus flowed into the medium-term component until the cessation of the term of the contract. Since 1 November 2012, a deferral portion of 50% applies for all Board of Management members.

The amount of the annual bonus is set at the due discretion of the Supervisory Board on the basis of the company's performance. The individual annual bonus amounts reflect the extent to which predefined targets are achieved, missed or exceeded. The maximum amount of the annual bonus may not exceed 100% of the annual base salary.

For all Board of Management members, the Group's EBIT after asset charge performance metric, including the asset charge on goodwill before goodwill impairment (EAC), is the main parameter used in this calculation. For the Board of Management members in charge of the MAIL, GLOBAL FORWARDING, FREIGHT, EXPRESS and SUPPLY CHAIN divisions, the EAC of their respective division is also a key parameter. Furthermore, an employee-related target is agreed with all Board of Management members based on the annual employee opinion survey, as are additional targets.

Achievement of the upper targets for the financial year that have been agreed based on demanding objectives is rewarded with the maximum annual bonus. If the targets specified for the financial year are only partially reached or completely missed, the annual bonus will be paid on a pro-rata basis or not at all. The Supervisory Board may also elect to award an appropriate special bonus for extraordinary achievement.

The annual bonus is not paid in full in a single instalment on the basis of having reached the agreed targets. Instead, 50% of the annual bonus flows into a medium-term component with a three-year calculation period (performance phase of one year, sustainability phase of two years). This medium-term component will be paid out after expiry of the sustainability phase subject to the condition that EAC, as an indicator of sustainability, is reached during the sustainability phase. Otherwise, payment of the medium-term component is forfeited without compensation. This demerit system puts greater emphasis on sustainable company development in determining management board remuneration and sets long-term incentives.

Stock appreciation rights (SARS) are granted as a long-term remuneration component based on the Long-Term Incentive Plan resolved by the Supervisory Board in 2006 (2006 LTIP).

Each SAR entitles the holder to receive a cash settlement equal to the difference between the average closing price of Deutsche Post shares for the five trading days preceding the exercise date and the exercise price of the SAR. In 2012, the members of the Board of Management each invested 10% of their annual base salary as a personal financial investment. The waiting period for the stock appreciation rights is four years from the date on which they were granted. After expiration of the waiting period, and provided an absolute or relative performance target has been achieved, the SARS can be exercised wholly or partially for a period of two years. Any SARS not exercised during this two-year period will expire.

To determine how many, if any, of the SARs granted can be exercised, the average share price or the average index value for the reference period is compared with that of the performance period. The reference period comprises the last twenty consecutive trading days prior to the issue date. The performance period is the last sixty trading days before the end of the waiting period. The average share price (closing price) is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra electronic trading system.

A maximum of four out of every six SARs can be "earned" via the absolute performance target and a maximum of two via the relative performance target. If neither an absolute nor a relative performance target is met by the end of the waiting period, the SARs attributable to the related tranche will expire without replacement or compensation.

One SAR is earned each time the closing price of Deutsche Post shares exceeds the issue price by at least 10%, 15%, 20% or 25%. The relative performance target is tied to the performance of the shares in relation to the STOXX Europe 600 Index (SXXP, ISIN EU0009658202). It is met if the share price equals the index performance or if it outperforms the index by at least 10%.

Remuneration from stock appreciation rights is limited to 300% of the annual target cash compensation (annual base salary plus the annual target bonus). Moreover, it may be limited by the Supervisory Board in the event of extraordinary circumstances.

Provisions to cap severance payments pursuant to the Corporate Governance Code recommendation, change-of-control provisions and post-contractual non-compete clauses

In accordance with the recommendation of section 4.2.3 of the German Corporate Governance Code, as amended on 15 May 2012, Board of Management contracts contain a provision stipulating that in the event of the premature termination of a Board of Management member's contract, the severance payment may compensate no more than the remaining term of the contract. The severance payment is limited to a maximum amount of two years' remuneration including fringe benefits (severance payment cap). All contracts contain a clause stipulating that neither special remuneration paid, nor the value of rights allocated from long-term incentive plans, may be taken into account in the calculation of the severance payment cap.

In the event of a change in control, any member of the Board of Management is entitled to resign their office for good cause within a period of six months following the change in control, after giving three months' notice by the end of a given month, and to terminate their Board of Management contract (right to early termination).

The contractual provisions stipulate that a change of control exists if a shareholder has acquired control within the meaning of section 29 (2) of the *Wertpapiererwerbs- und Übernahmegesetz* (WpÜG – German Securities Acquisition and Takeover Act) via possession of at least 30% of the voting rights, including the voting rights attributable to such shareholder by virtue of acting in concert with other shareholders as set forth in section 30 of the WpÜG or if a control agreement has been concluded with the company as a dependent entity in accordance with section 291 of the *Aktiengesetz* (AktG – German Stock Corporation Act) and such agreement has taken effect or if the company has merged with another legal entity outside of the Group pursuant to section 2 of the *Umwandlungsgesetz* (UmwG – German Reorganisation and Transformation Act), unless the value of such other legal entity, as determined by the agreed conversion rate, is less than 50% of the value of the company.

In the event that the right to early termination is exercised or a Board of Management contract is terminated by mutual consent within nine months of the change of control, the Board of Management member is entitled to payment to compensate the remaining term of their Board of Management contract. Such payment is limited to 150% of the severance payment cap pursuant to the recommendation of the German Corporate Governance Code. The amount of the payment is reduced by 25% if the Board of Management member has not reached the age of 60 upon leaving the company. If the remaining term of the Board of Management contract is less than two years and the Board of Management member has not reached the age of 62 upon leaving the company, the payment will correspond to the severance payment cap. The same applies if a Board of Management contract expires prior to the Board of Management member's reaching the age of 62 because less than nine months remained on the term of the contract at the time of the change of control and the contract was not renewed.

Board of Management members are also subject to a non-compete clause, taking effect on the cessation of their contracts. During the one-year non-compete period, former Board of Management members receive 100% of their last contractually stipulated annual base salary on a pro-rata basis as compensation each month. Any other income earned during the non-compete period is subtracted from the compensation paid. The amount of the compensation payment itself is deducted from any severance payments or pension payments. Prior to, or concurrent with, cessation of the Board of Management contract, the company may declare its waiver of adherence to the non-compete clause. In such a case, the company will be released from the obligation to pay compensation due to a restraint on competition six months after receipt of such declaration.

Apart from the aforementioned arrangements, no member of the Board of Management has been promised any further benefits after leaving the company.

Other provisions

Walter Scheurle entered retirement as at the end of 30 September 2012. From 30 April 2012, when he resigned from the Board, until the beginning of his retirement, he was active in a consultative capacity for the company. In fulfilment of the rights under his contract, he received remuneration totalling €771,162 during this period.

Angela Titzrath took office as a member of the company's Board of Management on 1 May 2012. By way of compensation for rights that lapsed as a result of her transfer to Deutsche Post AG, the company paid her the sum of €538,835.

Amount of remuneration paid to active members of the Group Board of Management in financial year 2012

The remuneration paid to active members of the Board of Management in financial year 2012 totalled €13.30 million (previous year: €12.05 million). This amount comprised €7.64 million in non-performance-related components (previous year: €7.41 million) and €5.66 million in the performance-related component paid out (previous year: €4.64 million). An additional €2.85 million of the performance-related component was transferred to the medium-term component and will be paid out in 2015 subject to the condition that the required EAC, as an indicator of sustainability, is reached.

The members of the Board of Management were granted a total of 2,108,466 SARS in financial year 2012 for a total value of €7.04 million (previous year: €6.96 million) at the time of issue (1 July 2012). The following tables present the total remuneration paid to active Board of Management members (individual breakdown):

B.05 Remuneration paid to the Group Board of Management in 2012: cash components

€	Non-performance related		Performance related			
Board members	Annual base salary	Fringe benefits	Annual bonus	Payment from medium-term component (2010)	Total	Share of annual bonus transferred to medium-term component (2012)[2]
Dr Frank Appel, Chairman	1,841,411	34,763	1,244,325	415,493	**3,535,992**	519,194
Ken Allen	918,333	99,150	490,050	175,032	**1,682,565**	419,100
Roger Crook	823,750	195,571	407,756	0	**1,427,077**	407,756
Bruce Edwards	930,000	107,348	443,610	214,549	**1,695,507**	443,610
Jürgen Gerdes	930,000	21,008	448,725	340,000	**1,739,733**	448,725
Lawrence Rosen[1]	883,333	19,305	579,150	215,000	**1,696,788**	295,350
Walter Scheurle (until 30 April 2012)	310,000	6,707	230,175	223,380	**770,262**	76,725
Angela Titzrath (since 1 May 2012)	476,667	42,227[3]	235,950	0	**754,844**	235,950

[1] In financial year 2012, an additional €209,000 was paid out as part of the compensation for rights that lapsed as a result of his transfer to Deutsche Post AG. The compensation payment is described in the 2009 Annual Report.

[2] This amount will be paid out in 2015 provided the sustainability indicator is fulfilled.

[3] By way of compensation for rights that lapsed as a result of her transfer to Deutsche Post AG, the company paid her the sum of €538,835. The compensation payment is described above.

B.06 Remuneration paid to the Group Board of Management in 2012: share-based component with long-term incentive effect

€ Active board members	Number of SARS	Value of SARS on grant date (1 July 2012)
Dr Frank Appel, Chairman	544,068	1,817,187
Ken Allen	278,448	930,016
Roger Crook	257,490	860,017
Bruce Edwards	278,448	930,016
Jürgen Gerdes	278,448	930,016
Lawrence Rosen	257,490	860,017
Angela Titzrath (since 1 May 2012)	214,074	715,007

Remuneration paid to the Group Board of Management in the previous year (2011)

B.07 Remuneration paid to the Group Board of Management in 2011: cash components

€	Non-performance related		Performance related		
Board members	Annual base salary	Fringe benefits	Annual bonus	Total	Share of annual bonus transferred to medium-term component[2]
Dr Frank Appel, Chairman	1,745,017	33,990	1,308,804	**3,087,811**	436,268
Ken Allen	835,833	119,222	626,123	**1,581,178**	208,708
Roger Crook (since 9 March 2011)	579,797	142,092	290,228	**1,012,117**	290,228
Bruce Edwards	919,902	91,758	496,451	**1,508,111**	421,317
Jürgen Gerdes	930,000	22,906	465,000	**1,417,906**	465,000
Lawrence Rosen[1]	860,000	19,270	645,000	**1,524,270**	215,000
Walter Scheurle	930,000	19,892	697,500	**1,647,392**	232,500
Hermann Ude (until 8 March 2011)	163,188	3,242	108,861	**275,291**	53,485

[1] In financial year 2011, an additional €473,000 was paid out as part of the compensation for rights that lapsed as a result of his transfer to Deutsche Post AG. The compensation payment is described in the 2009 Annual Report.
[2] This amount will be paid out in 2014 provided the sustainability indicator is fulfilled.

B.08 Remuneration paid to the Group Board of Management in 2011: share-based component with long-term incentive effect

€ Active board members	Number of SARS	Value of SARS on grant date (1 July 2011)
Dr Frank Appel, Chairman	689,502	1,730,650
Ken Allen	342,630	860,001
Roger Crook (since 9 March 2011)	284,862	715,003
Bruce Edwards	370,518	930,000
Jürgen Gerdes	370,518	930,000
Lawrence Rosen	342,630	860,001
Walter Scheurle	370,518	930,000

Pension commitments under the previous system

Dr Frank Appel and Jürgen Gerdes have direct, final-salary based pension commitments on the basis of their individual contracts, providing for benefits in case of permanent disability, death or retirement. If the contract of a member ends after at least five years of service on the Board of Management, the entitlements they have acquired will vest in full. Members become entitled to benefits due to permanent disability after at least five years of service. Eligibility for retirement benefits begins at the earliest at the age of 55, or at the age of 62 in the case of Jürgen Gerdes. The members of the Board of Management may choose between annuity payments and a lump sum payment. The benefit amount depends on the pensionable income and the pension level derived from the years of service.

Pensionable income consists of the fixed annual remuneration (annual base salary) computed on the basis of the average salary over the last twelve calendar months of employment. Members of the Board of Management attain a pension level of 25% after five years of service. The maximum pension level of 50% is attained after ten years of service. The pension level increases gradually based on the period of service on the Board of Management. Subsequent pension benefits increase or decrease to reflect changes in the consumer price index in Germany.

B.09 **Pension commitments under the previous system in financial year 2012: individual breakdown**

	Pension commitments			
	Pension level on 31 Dec. 2012 %	Maximum pension level %	Service cost for pension obligation, financial year 2012 €	Present value (DBO) as at 31 Dec. 2012 €
Dr Frank Appel, Chairman	50	50	614,968	10,447,301
Jürgen Gerdes[1]	25	50	213,097	4,598,461
Walter Scheurle (until 30 April 2012)	60	60	686,493	0
Total			**1,514,558**	**15,045,762**

[1] Should benefits fall due whilst the Board member concerned is actively employed, their amount will be calculated in accordance with the Pension Regulations of Deutsche Post AG (VersOPost) at a minimum (based on a salary of €525,000).

B.10 **Pension commitments under the previous system in the previous year (2011): individual breakdown**

	Pension commitments			
	Pension level on 31 Dec. 2011 %	Maximum pension level %	Service cost for pension obligation, financial year 2011 €	Present value (DBO) as at 31 Dec. 2011 €
Dr Frank Appel, Chairman	25	50	552,899	7,180,293
Jürgen Gerdes[1]	0	50	166,362	3,804,581
Walter Scheurle	60	60	651,031	8,324,557
Total			**1,370,292**	**19,309,431**

[1] Minimum period not yet complete. In the event of benefits being paid, the provisions of the previous system will apply.

Pension commitments under the new system

Since 4 March 2008, newly appointed Board of Management members have received pension commitments based on a defined contribution plan rather than the previous commitments, which were based on the final salary. Under the defined contribution pension plan, the company credits an annual amount of 35% of the annual base salary to a virtual pension account for the Board of Management member concerned. The maximum contribution period is 15 years. The pension capital accrues interest at an annual rate equal to the "iBoxx Corporates AA 10+ Annual Yield" rate, or at an annual rate of 2.25% at minimum, and will continue to do so until the pension benefits fall due. The pension benefits are paid out in a lump sum in the amount of the value accumulated in the pension account. The benefits fall due when the Board of Management member reaches the age of 62 or in the case of invalidity or death whilst being employed. In the event of benefits falling due, the pension beneficiary may opt to receive an annuity payment in lieu of a lump sum payment. If this option is exercised, the capital is converted to an annuity payment, taking into account the average "iBoxx Corporates AA 10+ Annual Yield" for the past ten full calendar years as well as the individual data of the surviving dependants and a future pension increase of 1% per year.

B.11 Board of Management pension commitments under the new system in financial year 2012: individual breakdown

€	Total contribution for 2012	Present value (DBO) as at 31 Dec. 2012	Service cost for pension obligation, financial year 2012
Ken Allen	301,000	1,027,195	297,574
Roger Crook	250,250	454,642	244,487
Bruce Edwards	325,500	1,482,117	329,531
Lawrence Rosen	301,000	1,977,370	300,978
Angela Titzrath (since 1 May 2012)	526,833[1]	198,981	0
Total	**1,704,583**	**5,140,305**	**1,172,570**

[1] Pro-rated contribution for eight months, plus a starting balance of €360,000. The starting balance will not be credited if Ms Titzrath leaves the company of her own volition prior to reaching the age of 60 or works for the company after reaching the age of 60.

B.12 Board of Management pension commitments under the new system in the previous year (2011): individual breakdown

€	Total contribution for 2011	Present value (DBO) as at 31 Dec. 2011	Service cost for pension obligation, financial year 2011
Ken Allen	250,250	705,775	266,023
Roger Crook (since 9 March 2011)	187,688	189,914	0
Bruce Edwards	301,000	1,114,883	322,872
Lawrence Rosen	301,000	1,636,856	326,478
Hermann Ude (until 8 March 2011)	677,250[1]	1,765,277	333,183
Total	**1,717,188**	**5,412,705**	**1,248,556**

[1] The total contribution for 2011 consists of a pro-rata amount for three months in the amount of €75,250 plus the €602,000 credited to Hermann Ude in connection with his departure from the company.

Benefits for former Board of Management members

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €4.6 million in financial year 2012 (previous year: €7.4 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSs amounted to €78 million (previous year: €57.0 million). A total of €20.9 million of the difference is due to a significant reduction in the IAS discount rate compared with the previous year and the greater number of pensioners as their pension benefits have fallen due. No additional obligations have been incurred in this context.

Supervisory Board remuneration

Pursuant to article 17 of the Articles of Association of Deutsche Post AG resolved by the Annual General Meeting, the annual remuneration paid to the members of the Supervisory Board comprises a non-performance-related, i.e., fixed, component, a variable component geared towards sustainable corporate development and the attendance allowance.

As in the previous year, the fixed component amounted to €40,000. The variable remuneration component for financial year 2012 will amount to €1,000 for each €0.02 by which the consolidated net profit per share for financial year 2014 exceeds the consolidated net profit per share for financial year 2011. This variable remuneration component will fall due for payment as at the end of the 2015 AGM. The variable remuneration component is subject to a cap equal to 50% of the fixed component.

The Supervisory Board chairman and the Supervisory Board committee chairs receive an additional 100% of the fixed and variable remuneration, and the Supervisory Board deputy chair and committee members receive an additional 50%. This does not apply to the Mediation or Nomination Committees. Those who only serve on the Supervisory Board or its committees, or act as chair or deputy chair, for part of the year are remunerated on a pro-rata basis.

Supervisory Board members receive an attendance allowance of €1,000 for each plenary meeting of the Supervisory Board or committee meeting that they attend, as in 2011. They are entitled to the reimbursement of out-of-pocket cash expenses incurred in the exercise of their office. Any value added tax charged on Supervisory Board remuneration or out-of-pocket expenses is reimbursed.

The remuneration for 2012, consisting of a fixed component and the attendance allowance, totalled €1,461,500 (previous year: €1,410,000). The following table shows the remuneration paid to each Supervisory Board member:

B.13 Remuneration paid to Supervisory Board members in 2012

€ Board members	Fixed component	Attendance allowance	Total	Maximum variable remuneration (cap)[1]
Prof. Dr Wulf von Schimmelmann (Chair)	140,000	21,000	**161,000**	70,000
Andrea Kocsis (Deputy Chair)	120,000	16,000	**136,000**	60,000
Wolfgang Abel (until 12 September 2012)	42,500	6,000	**48,500**	21,250
Rolf Bauermeister	60,000	12,000	**72,000**	30,000
Hero Brahms	80,000	17,000	**97,000**	40,000
Heinrich Josef Busch	40,000	7,000	**47,000**	20,000
Werner Gatzer	80,000	19,000	**99,000**	40,000
Prof. Dr Henning Kagermann	40,000	6,000	**46,000**	20,000
Thomas Koczelnik	80,000	19,000	**99,000**	40,000
Anke Kufalt	40,000	7,000	**47,000**	20,000
Thomas Kunz	40,000	5,000	**45,000**	20,000
Roland Oetker	80,000	17,000	**97,000**	40,000
Andreas Schädler	40,000	7,000	**47,000**	20,000
Sabine Schielmann	40,000	7,000	**47,000**	20,000
Dr Ulrich Schröder	40,000	6,000	**46,000**	20,000
Dr Stefan Schulte	60,000	15,000	**75,000**	30,000
Stephan Teuscher (since 29 October 2012)	10,000	2,000	**12,000**	5,000
Helga Thiel	60,000	16,000	**76,000**	30,000
Elmar Toime	40,000	5,000	**45,000**	20,000
Stefanie Weckesser	60,000	12,000	**72,000**	30,000
Prof. Dr-Ing. Katja Windt	40,000	7,000	**47,000**	20,000

[1] This variable remuneration component will fall due for payment as at the end of the 2015 AGM after determination of the consolidated net profit per share for financial year 2014.

The variable remuneration for financial year 2010 will fall due for payment as at the end of the 2013 AGM. It will amount to €1,000 for each €0.02 by which the consolidated net profit per share for financial year 2012 exceeds the consolidated net profit per share for financial year 2009. The variable remuneration for financial year 2010 is subject to a cap equal to 50% of the fixed component. The total variable remuneration paid to the members of the Supervisory Board for financial year 2010 amounted to €465,000 (previous year: no payment), of which €41,875 was to Board members who have now left the company and €423,125 to active Board members. The following table shows the remuneration paid to each Supervisory Board member:

B.14 Variable remuneration paid to Supervisory Board members for 2010

€ Active board members	Variable remuneration (cap)
Prof. Dr Wulf von Schimmelmann (Chair)	52,500
Andrea Kocsis (Deputy Chair)	45,000
Wolfgang Abel (until 12 September 2012)	22,500
Rolf Bauermeister	22,500
Hero Brahms	30,000
Heinrich Josef Busch	15,000
Werner Gatzer	30,000
Prof. Dr Henning Kagermann	15,000
Thomas Koczelnik	30,000
Anke Kufalt	15,000
Thomas Kunz[1]	–
Roland Oetker	30,000
Andreas Schädler	15,000
Sabine Schielmann (since 27 October 2010)	3,125
Dr Ulrich Schröder	15,000
Dr Stefan Schulte	22,500
Stephan Teuscher (since 29 October 2012)[1]	–
Helga Thiel	22,500
Elmar Toime	15,000
Stefanie Weckesser	22,500
Prof. Dr-Ing. Katja Windt[1]	–

[1] Not a Board member in financial year 2010.

Accordingly, the active members of the Supervisory Board will receive a total of €1,884,625 as the sum of the fixed component and the attendance allowance for 2012, and the variable remuneration for 2010.

The remuneration for the previous year (2011), consisting of a fixed component and the attendance allowance, is shown in the following table for each Supervisory Board member:

B.15 Remuneration paid to Supervisory Board members in 2011

€ Board members	Fixed component	Attendance allowance	Total	Maximum variable remuneration (cap)[1]
Prof. Dr Wulf von Schimmelmann (Chair)	140,000	16,000	**156,000**	70,000
Andrea Kocsis (Deputy Chair)	120,000	14,000	**134,000**	60,000
Wolfgang Abel	60,000	10,000	**70,000**	30,000
Willem van Agtmael (until 25 May 2011)	15,000	1,000	**16,000**	7,500
Rolf Bauermeister	60,000	10,000	**70,000**	30,000
Hero Brahms	80,000	11,000	**91,000**	40,000
Heinrich Josef Busch	40,000	4,000	**44,000**	20,000
Werner Gatzer	80,000	16,000	**96,000**	40,000
Prof. Dr Henning Kagermann	40,000	3,000	**43,000**	20,000
Thomas Koczelnik	80,000	15,000	**95,000**	40,000
Anke Kufalt	40,000	4,000	**44,000**	20,000
Thomas Kunz (since 25 May 2011)	25,000	2,000	**27,000**	12,500
Roland Oetker	80,000	15,000	**95,000**	40,000
Harry Roels (until 25 May 2011)	15,000	1,000	**16,000**	7,500
Andreas Schädler	40,000	4,000	**44,000**	20,000
Sabine Schielmann	40,000	4,000	**44,000**	20,000
Dr Ulrich Schröder	40,000	3,000	**43,000**	20,000
Dr Stefan Schulte	60,000	9,000	**69,000**	30,000
Helga Thiel	60,000	11,000	**71,000**	30,000
Elmar Toime	40,000	4,000	**44,000**	20,000
Stefanie Weckesser	60,000	10,000	**70,000**	30,000
Prof. Dr-Ing. Katja Windt (since 25 May 2011)	25,000	3,000	**28,000**	12,500

[1] This variable remuneration component will fall due for payment as at the end of the 2014 AGM after determination of the consolidated net profit per share for financial year 2013.

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C.01 INCOME STATEMENT

1 January to 31 December

€m	Note	2011	2012
Revenue	10	52,829	55,512
Other operating income	11	2,050	2,168
Total operating income		54,879	57,680
Materials expense	12	−30,544	−31,863
Staff costs	13	−16,730	−17,770
Depreciation, amortisation and impairment losses	14	−1,274	−1,339
Other operating expenses	15	−3,895	−4,043
Total operating expenses		−52,443	−55,015
Profit from operating activities (EBIT)		**2,436**	**2,665**
Net income from associates	16	60	2
Other financial income		590	657
Other finance costs		−1,391	−1,049
Foreign currency result		−36	−37
Net other finance costs	17	−837	−429
Net finance costs		**−777**	**−427**
Profit before income taxes		**1,659**	**2,238**
Income taxes	18	−393	−458
Consolidated net profit for the period	19	**1,266**	**1,780**
attributable to Deutsche Post AG shareholders		1,163	1,658
attributable to non-controlling interests	20	103	122
Basic earnings per share (€)	21	**0.96**	**1.37**
Diluted earnings per share (€)	21	**0.96**	**1.32**

C.02 STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

€m	Note	2011	2012
Consolidated net profit for the period		**1,266**	**1,780**
Currency translation reserve			
Changes from unrealised gains and losses		193	7
Changes from realised gains and losses		–26	3
Other changes in retained earnings			
Changes from unrealised gains and losses		1	2
Changes from realised gains and losses		0	0
IAS 39 hedging reserve			
Changes from unrealised gains and losses		–5	–23
Changes from realised gains and losses		2	59
IAS 39 revaluation reserve			
Changes from unrealised gains and losses		–7	–12
Changes from realised gains and losses		0	0
IFRS 3 revaluation reserve			
Changes from unrealised gains and losses		–1	–2
Changes from realised gains and losses		0	0
Income taxes relating to components of other comprehensive income	18	–1	–7
Share of other comprehensive income of associates (after tax)		10	–37
Other comprehensive income (after tax)		**166**	**–10**
Total comprehensive income		**1,432**	**1,770**
attributable to Deutsche Post AG shareholders		1,331	1,650
attributable to non-controlling interests		101	120

C.03 BALANCE SHEET

€m	Note	31 Dec. 2011	31 Dec. 2012
ASSETS			
Intangible assets	23	12,196	12,151
Property, plant and equipment	24	6,493	6,663
Investment property	25	40	43
Investments in associates	26	44	46
Non-current financial assets	27	729	1,039
Other non-current assets	28	570	633
Deferred tax assets	29	1,153	1,257
Non-current assets		**21,225**	**21,832**
Inventories	30	273	322
Income tax assets	31	239	127
Receivables and other current assets	32	9,089	9,112
Current financial assets	33	2,498	252
Cash and cash equivalents	34	3,123	2,400
Assets held for sale	35	1,961	76
Current assets		**17,183**	**12,289**
Total ASSETS		**38,408**	**34,121**
EQUITY AND LIABILITIES			
Issued capital	36	1,209	1,209
Other reserves	37	1,714	1,786
Retained earnings	38	8,086	8,956
Equity attributable to Deutsche Post AG shareholders	39	11,009	11,951
Non-controlling interests	40	190	213
Equity		**11,199**	**12,164**
Provisions for pensions and similar obligations	41	4,445	2,442
Deferred tax liabilities	29	255	229
Other non-current provisions	42	2,174	1,972
Non-current provisions		6,874	4,643
Non-current financial liabilities	43	1,366	4,413
Other non-current liabilities	44	347	276
Non-current liabilities		1,713	4,689
Non-current provisions and liabilities		**8,587**	**9,332**
Current provisions	42	2,134	1,663
Current financial liabilities	43	5,644	403
Trade payables	45	6,168	5,991
Income tax liabilities	31	570	534
Other current liabilities	44	4,106	4,004
Liabilities associated with assets held for sale	35	0	30
Current liabilities		16,488	10,962
Current provisions and liabilities		**18,622**	**12,625**
Total EQUITY AND LIABILITIES		**38,408**	**34,121**

C.04 CASH FLOW STATEMENT

1 January to 31 December

€m	Note	2011	2012
Consolidated net profit for the period attributable to Deutsche Post AG shareholders		1,163	1,658
Consolidated net profit for the period attributable to non-controlling interests		103	122
Income taxes		393	458
Net other finance costs		837	429
Net income from associates		−60	−2
Profit from operating activities (EBIT)		2,436	2,665
Depreciation, amortisation and impairment losses		1,274	1,339
Net income from disposal of non-current assets		−54	−74
Non-cash income and expense		−7	−97
Change in provisions		−897	−3,034
Change in other non-current assets and liabilities		−63	−53
Income taxes paid		−455	−527
Net cash from operating activities before changes in working capital		**2,234**	**219**
Changes in working capital			
Inventories		−37	−51
Receivables and other current assets		−406	−221
Liabilities and other items		580	−150
Net cash from/used in operating activities	46.1	**2,371**	**−203**
Subsidiaries and other business units		58	39
Property, plant and equipment and intangible assets		211	225
Other non-current financial assets		16	35
Proceeds from disposal of non-current assets		285	299
Subsidiaries and other business units		−84	−57
Property, plant and equipment and intangible assets		−1,716	−1,639
Other non-current financial assets		−80	−336
Cash paid to acquire non-current assets		−1,880	−2,032
Interest received		72	46
Dividend received		0	0
Current financial assets		394	−10
Net cash used in investing activities	46.2	**−1,129**	**−1,697**
Proceeds from issuance of non-current financial liabilities		18	3,176
Repayments of non-current financial liabilities		−338	−773
Change in current financial liabilities		−97	−50
Other financing activities		−60	31
Proceeds from transactions with non-controlling interests and venturers		0	49
Cash paid for transactions with non-controlling interests		−1	−62
Dividend paid to Deutsche Post AG shareholders		−786	−846
Dividend paid to non-controlling interest holders		−99	−78
Purchase of treasury shares		−21	−26
Proceeds from issuing shares or other equity instruments		0	74
Interest paid		−163	−296
Net cash used in/from financing activities	46.3	**−1,547**	**1,199**
Net change in cash and cash equivalents		−305	−701
Effect of changes in exchange rates on cash and cash equivalents		13	−15
Changes in cash and cash equivalents associated with assets held for sale		0	−7
Changes in cash and cash equivalents due to changes in consolidated group		0	0
Cash and cash equivalents at beginning of reporting period		3,415	3,123
Cash and cash equivalents at end of reporting period	46.4	**3,123**	**2,400**

C.05 STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

€m

		Other reserves								
	Issued capital	Capital reserves	IAS 39 revaluation reserve[1]	IAS 39 hedging reserve[1]	IFRS 3 revaluation reserve	Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	36	37	37	37	37	37	38	39	40	
Balance at 1 January 2011	1,209	2,158	86	–33	6	–682	7,767	10,511	185	10,696
Capital transactions with owner										
Dividend	0	0	0	0	0	0	–786	–786	–99	–885
Transactions with non-controlling interests	0	0	0	0	0	0	–59	–59	0	–59
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	3	3
Purchase of treasury shares	–2	0	0	0	0	0	–20	–22	0	–22
Share Matching Scheme (issuance)	0	33	0	0	0	0	0	33	0	33
Share Matching Scheme (exercise)	2	–21	0	0	0	0	20	1	0	1
								–833	**–96**	**–929**
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	1,163	1,163	103	1,266
Currency translation differences	0	0	0	0	0	165	0	165	–2	163
Other changes	0	0	4	–1	–1	0	1	3	0	3
								1,331	**101**	**1,432**
Balance at 31 December 2011	**1,209**	**2,170**	**90**	**–34**	**5**	**–517**	**8,086**	**11,009**	**190**	**11,199**
Balance at 1 January 2012	1,209	2,170	90	–34	5	–517	8,086	11,009	190	11,199
Capital transactions with owner										
Dividend	0	0	0	0	0	0	–846	–846	–79	–925
Transactions with non-controlling interests	0	0	0	0	0	–2	58	56	–22	34
Changes in non-controlling interests due to changes in consolidated group	0	0	0	0	0	0	0	0	4	4
Issue of shares or other equity instruments	0	74	0	0	0	0	0	74	0	74
Purchase of treasury shares	–2	0	0	0	0	0	–24	–26	0	–26
Share Matching Scheme (issuance)	0	34	0	0	0	0	0	34	0	34
Share Matching Scheme (exercise)	2	–24	0	0	0	0	22	0	0	0
								–708	**–97**	**–805**
Total comprehensive income										
Consolidated net profit for the period	0	0	0	0	0	0	1,658	1,658	122	1,780
Currency translation differences	0	0	0	0	0	56	0	56	–2	54
Other changes	0	0	–91	27	–2	0	2	–64	0	–64
								1,650	**120**	**1,770**
Balance at 31 December 2012	**1,209**	**2,254**	**–1**	**–7**	**3**	**–463**	**8,956**	**11,951**	**213**	**12,164**

[1] The IAS 39 hedging reserve and IAS 39 revaluation reserve previously presented together in the IAS 39 reserves column are now shown separately to increase transparency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

BASIS OF PREPARATION

1 Basis of accounting

As a listed company, Deutsche Post AG prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs), as adopted by the European Union (EU), and the provisions of commercial law to be additionally applied in accordance with section 315a (1) of the *Handelsgesetzbuch* (HGB – German Commercial Code). The financial statements represent an annual financial report within the meaning of the *Transparenzrichtlinie-Umsetzungsgesetz* (TUG – Transparency Directive Implementing Act) (section 37v of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act)) dated 5 January 2007.

The requirements of the Standards applied have been satisfied in full, and the consolidated financial statements therefore provide a true and fair view of the Group's net assets, financial position and results of operations.

The consolidated financial statements consist of the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity and the Notes. In order to improve the clarity of presentation, various items in the balance sheet and in the income statement have been combined. These items are disclosed and explained separately in the Notes. The income statement has been classified in accordance with the nature of expense method.

The accounting policies, as well as the explanations and disclosures in the Notes to the IFRS consolidated financial statements for financial year 2012, are generally based on the same accounting policies used in the 2011 consolidated financial statements. Exceptions to this are the changes in international financial reporting under the IFRSs described in Note 4 that have been required to be applied by the Group since 1 January 2012. The accounting policies are explained in Note 6.

The financial year of Deutsche Post AG and its consolidated subsidiaries is the calendar year. Deutsche Post AG, whose registered office is in Bonn, Germany, is entered in the commercial register of the Bonn Local Court.

These consolidated financial statements were authorised for issue by a resolution of the Board of Management of Deutsche Post AG dated 18 February 2013.

The consolidated financial statements are prepared in euros (€). Unless otherwise stated, all amounts are given in millions of euros (€ million, €m).

2 Consolidated group

In addition to Deutsche Post AG, the consolidated financial statements for the period ended 31 December 2012 include all German and foreign companies in which Deutsche Post AG directly or indirectly holds a majority of voting rights, or whose activities it can control in some other way. The companies are consolidated from the date on which the Group is able to exercise control.

The companies listed in the table below are consolidated in addition to the parent company Deutsche Post AG.

Consolidated group

	2011	2012
Number of fully consolidated companies (subsidiaries)		
German	76	85
Foreign	754	730
Number of proportionately consolidated joint ventures		
German	1	1
Foreign	13	3
Number of companies accounted for using the equity method (associates)[1]		
German	31	0
Foreign	28	8

[1] The interest in Deutsche Postbank AG had been measured in accordance with IFRS 5 since March 2011 and was disposed of in February 2012.

The decrease in the number of equity-accounted companies is largely attributable to the derecognition of Deutsche Postbank AG and its subsidiaries. The complete list of the Group's shareholdings in accordance with section 313 (2) nos. 1 to 4 and section 313 (3) of the HGB can be accessed on the website, www.dp-dhl.com/en/investors.html.

Acquisitions in 2012

Name	Country	Segment	Interest in %	Date of acquisition
Tag Belgium SA, Brussels (formerly Dentsu Brussels SA)	Belgium	SUPPLY CHAIN	100	1 February 2012
intelliAd Media GmbH, Munich	Germany	MAIL	100	9 July 2012
2 Sisters Food Group (2SFG), Heathrow	UK	SUPPLY CHAIN	Asset deal	27 July 2012
All you need GmbH, Berlin	Germany	MAIL	82	24 October 2012[1, 2]
Exel Saudia LLC, Al Khobar	Saudi Arabia	SUPPLY CHAIN	Terms of the contract amended	16 October 2012[2]
Luftfrachtsicherheit-Service GmbH, Frankfurt am Main	Germany	GLOBAL FORWARDING, FREIGHT	50	27 August 2012

[1] Acquired with a view to resale (IFRS 5) ➔ Note 35.
[2] Step acquisition.

INSIGNIFICANT ACQUISITIONS IN 2012

In the period up to 31 December 2012, Deutsche Post DHL acquired companies that did not materially affect the Group's net assets, financial position and results of operations, either individually or in the aggregate.

Tag Belgium is active in the communications sector and specialises in the design, production and localisation of print media. intelliAd Media is a bid-management technology supplier active in the area of search engine advertising.

2SFG is active in the field of airline catering.

Deutsche Post DHL increased its previous 33% stake in All you need GmbH, a mobile commerce supermarket, to 82%. The stake was further increased to 90.25% through a disproportionate capital increase. The shares were acquired with a view to resale, since Deutsche Post DHL would like to focus on taking over and enhancing the logistics infrastructure.

Exel Saudia LLC, a joint venture that was previously proportionately consolidated and in which Deutsche Post DHL continues to hold 50% of the shares, was fully consolidated because the terms of the contract were amended. The change in consolidation method resulted in goodwill of €6 million from the disposal of the previous interest. The transaction resulted in a gain of €11 million, which is reported in other operating income.

Deutsche Post DHL acquired 50% of the shares of Luftfrachtsicherheit-Service GmbH. The company is fully consolidated due to the terms of the contract.

Insignificant acquisitions, 2012

€m 1 January to 31 December	Carrying amount	Adjustments	Fair value
ASSETS			
Non-current assets	6	–	6
Current assets	22	–	22
Cash and cash equivalents	5	–	5
Assets held for sale	6	–	6
	39	–	39
EQUITY AND LIABILITIES			
Non-current liabilities and provisions	3	–	3
Current liabilities and provisions	11	–	11
Liabilities associated with assets held for sale	1	–	1
	15	–	15
Net assets			**24**
of which in accordance with IFRS 5			5

The calculation of goodwill is presented in the following table:

Goodwill, 2012

€m	Fair value
Cash purchase price	30
Fair value of the existing equity interest[1]	25
Total cost	**55**
Less net assets	24
Difference	**31**
Less goodwill in accordance with IFRS 5	0
Plus negative goodwill	2
Plus non-controlling interests[2]	6
Less goodwill arising from the change in consolidation method	6
Goodwill	**33**

[1] Gain from the change in the method of consolidation is recognised under other operating income.
[2] Non-controlling interests are recognised at their carrying amount.

Purchase price allocation for Tag Belgium and Luftfrachtsicherheit-Service GmbH resulted in negative goodwill of €2 million, which is reported in other operating income. The negative goodwill is attributable to the coverage of potential business risks.

The companies contributed €16 million to consolidated revenue and €0 million to consolidated EBIT since the date of initial consolidation. If these companies had been purchased at 1 January 2012, they would have added €25 million to consolidated revenue and €2 million to consolidated EBIT.

Variable purchase prices, which are presented in the following table, were agreed for the acquisitions in financial year 2012:

Contingent consideration, 2012

Basis	Period for financial years from/to	Results range from	Fair value of payment obligation
Revenue and sales margin	2012 to 2014	€0 to €9 million	€4 million

The transaction costs for the insignificant acquisitions amounted to less than €1 million.

€24 million was paid for the companies acquired in financial year 2012. €38 million was paid for companies acquired in previous years. The cash purchase price for the companies acquired was paid by transferring cash funds.

Acquisitions in 2011

Name	Country	Segment	Interest in %	Date of acquisition
Adcloud GmbH (Adcloud), Cologne	Germany	MAIL	100	1 April 2011
Eurodifarm srl. (Eurodifarm), Lodi	Italy	SUPPLY CHAIN	100	11 May 2011
Standard Forwarding LLC (Standard Forwarding), East Moline	USA	GLOBAL FORWARDING, FREIGHT	100	1 June 2011
Tag EquityCo Limited (Tag Equity), Grand Cayman	Cayman Islands	SUPPLY CHAIN	100	11 July 2011
LifeConEx LLC (LifeConEx), Plantation	USA	GLOBAL FORWARDING, FREIGHT	100	29 July 2011
Post Logistics Australasia, Melbourne (Post Logistics Australasia)	Australia	SUPPLY CHAIN	Asset deal	1 October 2011

ACQUISITION OF TAG EQUITY IN 2011

In mid-July 2011, Deutsche Post DHL acquired the company Tag EquityCo Limited, Cayman Islands, together with its subsidiaries. Tag Equity is an international provider of marketing execution and production services. The company was assigned to the Williams Lea business unit within the SUPPLY CHAIN segment. Final purchase price allocation is presented in the following tables.

Final purchase price allocation for Tag Equity, 2011

€m	Carrying amount	Adjustments	Fair value
ASSETS			
Non-current assets	13	–	**13**
Customer relationships	–	47	**47**
Brand name	–	4	**4**
Software	–	11	**11**
Current assets	54	–	**54**
Cash and cash equivalents	5	–	**5**
	72	**62**	**134**
EQUITY AND LIABILITIES			
Non-current liabilities and provisions	–	–	**–**
Deferred tax liabilities	–	16	**16**
Current liabilities and provisions	102	–	**102**
	102	**16**	**118**
Net assets			**16**

The customer relationships are being amortised over 20 years using the straight-line method, whilst the software is being amortised over five years. The brand name has an indefinite useful life.

Goodwill for Tag Equity, 2011

€m	Fair value
Cost	91
Less net assets	16
Goodwill	**75**

The transaction costs for this acquisition amounted to €6 million. In addition, shareholder loans of €33 million were repaid.

In 2011, the companies contributed €76 million to consolidated revenue and €11 million to consolidated EBIT since the date of initial consolidation. Inclusion of the companies as at 1 January 2011 would have affected consolidated revenue by adding €67 million and consolidated EBIT by adding €8 million.

INSIGNIFICANT ACQUISITIONS IN 2011

In the period up to 31 December 2011, Deutsche Post DHL acquired further subsidiaries that did not materially affect the Group's net assets, financial position and results of operations, either individually or in the aggregate.

Adcloud is a specialised provider of internet advertising space marketing and placement services.

Eurodifarm is a specialist in the temperature-controlled distribution of pharmaceutical and diagnostic products.

Standard Forwarding, a US company in the forwarding business, was acquired in order to expand capacity in the Freight business unit.

Deutsche Post DHL acquired all of the shares of its LifeConEx LLC, USA, joint venture, previously held by LCAG USA Inc., USA. This company provides end-to-end cold chain logistics services for the life sciences industry. The change in the method of consolidation resulted in a gain of €1.3 million, which is reported in other operating income.

Under the terms of an asset deal, DHL Supply Chain Pty. Limited, Australia, has acquired from Post Logistics Australasia assets and liabilities relating to its road freight transport and warehousing and storage services.

Insignificant acquisitions, 2011

€m 1 January to 31 December	Carrying amount	Adjustments	Fair value
ASSETS			
Non-current assets	17	–	**17**
Current assets	26	–	**26**
Cash and cash equivalents	9	–	**9**
	52	**–**	**52**
EQUITY AND LIABILITIES			
Non-current liabilities and provisions	6	–	**6**
Current liabilities and provisions	42	–	**42**
	48	**–**	**48**
Net assets			**4**

Goodwill, 2011

€m	Fair value
Cash purchase price	63
Fair value of the existing equity interest[1]	1
Total cost	**64**
Less net assets	4
Goodwill	**60**

[1] Gain from the change in the method of consolidation is recognised under other operating income.

The transaction costs for the insignificant acquisitions in 2011 amounted to €2.6 million.

Variable purchase prices, which are given in the table below, were agreed for the acquisitions:

Contingent consideration, 2011

Basis	Period for financial years from/to	Results range from	Fair value of payment obligation
Revenue and gross income[1]	2011 to 2013	€0 to €2 million	€2 million
EBITDA	2011 and 2012	unlimited	€1 million
Revenue and EBITDA	2011 to 2013	€0 to €3 million	€2 million

[1] Both the range and the fair value changed due to amended agreements and earnings forecasts.

In the year 2011, the insignificant acquisitions made in 2011 contributed €68 million to consolidated revenue and €–3 million to consolidated EBIT since the date of initial consolidation. Inclusion of the companies as at 1 January 2011 would not have materially affected consolidated revenue and consolidated EBIT.

€98 million was expended on purchasing subsidiaries in the period up to 31 December 2011, plus a further €8 million for subsidiaries already acquired in previous years. In addition, Deutsche Post DHL received €8 million in purchase price adjustments relating to companies acquired in previous years. The cash purchase prices of the acquired companies were paid by transferring cash funds.

Disposal and deconsolidation effects in 2012

EXPRESS SEGMENT

The sales of the Express Couriers Limited (ECL), New Zealand, and Parcel Direct Group Pty Limited (PDG), Australia, joint ventures closed at the end of June 2012. The buyer is the former joint venture partner, New Zealand Post.

GLOBAL FORWARDING, FREIGHT SEGMENT

In the first quarter of 2012, DHL Global Forwarding & Co. LLC (DHL Oman), Oman, was deconsolidated, as the reasons for consolidation no longer existed. The company has been accounted for using the equity method since February 2012.

Disposal and deconsolidation effects, 2012

€m 1 January to 31 December	DHL Oman	ECL, PDG	Total
Non-current assets	0	38	**38**
Current assets	8	19	**27**
Assets held for sale[1]	0	0	**0**
Cash and cash equivalents	1	9	**10**
Assets	**9**	**66**	**75**
Non-current liabilities and provisions	0	24	**24**
Current liabilities and provisions	6	41	**47**
Liabilities associated with assets held for sale[1]	0	0	**0**
Equity and liabilities	**6**	**65**	**71**
Net assets	**3**	**1**	**4**
Total consideration received	1[2]	49	**50**
Income (+)/expenses (–) from the currency translation reserve	0	–4	**–4**
Non-controlling interests	2	0	**2**
Deconsolidation gain (+)	**0**	**44**	**44**

[1] Data before deconsolidation.
[2] Fair value of existing investment.

Disposal gains are shown under other operating income; disposal losses are reported under other operating expenses.

Disposal and deconsolidation effects in 2011

SUPPLY CHAIN SEGMENT

In April 2011, Deutsche Post DHL sold the freight forwarding company Exel Transportation Services Inc., USA, including Exel Trucking Inc., USA, and Exel Transportation Services Inc. (Canadian Branch), Canada, to the US-based Hub Group.

EXPRESS SEGMENT

At the end of June 2011, DHL Express Canada sold its domestic Canadian express business to TransForce, a transport company. The two companies entered into a ten-year strategic alliance. The domestic express business is to be handled by TransForce's Loomis Express subsidiary. DHL Express Canada will continue to provide international express services.

The sale of four Chinese companies, the sale of assets of the Australian company Western Australia and the sale of Northern Kope Parcel Express, Australia, are reported in the Miscellaneous column.

GLOBAL FORWARDING, FREIGHT SEGMENT

Part of the transport and warehouse services business of DHL Freight Netherlands B.V., the Netherlands, was sold in the third quarter of 2011. The effects are presented in the Miscellaneous column.

Disposal and deconsolidation effects in 2011

Disposal and deconsolidation effects, 2011

€m 1 January to 31 December	Exel Transportation Services	DHL Express Canada	Miscellaneous	Total
Non-current assets	0	11	2	**13**
Current assets	0	2	0	**2**
Assets held for sale[1]	113	0	18	**131**
Cash and cash equivalents	0	0	10	**10**
Assets	**113**	**13**	**30**	**156**
Non-current liabilities and provisions	0	0	0	**0**
Current liabilities and provisions	0	5	11	**16**
Liabilities associated with assets held for sale[1]	62	0	11	**73**
Equity and liabilities	**62**	**5**	**22**	**89**
Net assets	**51**	**8**	**8**	**67**
Total consideration received	55	10	2	**67**
Income from the currency translation reserve	24	1	1	**26**
Non-controlling interests	0	0	3	**3**
Deconsolidation gain (+)/loss (–)	**28**	**3**	**–2**	**29**

[1] Data before deconsolidation.

Joint ventures

The following table provides information about the balance sheet and income statement items attributable to the significant joint ventures included in the consolidated financial statements:

As at 31 December

€m	2011[1]	2012[1]
BALANCE SHEET		
Intangible assets	100	0
Property, plant and equipment	24	14
Receivables and other assets	73	68
Cash and cash equivalents	17	9
Trade payables, other liabilities	66	40
Provisions	17	32
Financial liabilities	63	2
INCOME STATEMENT		
Revenue[2]	271	120
Profit from operating activities (EBIT)	22	9

[1] Proportionate single-entity financial statement data.
[2] Revenue excluding intra-group revenue.

The consolidated joint ventures relate primarily to AeroLogic GmbH, Germany, Bahwan Exel LLC, Oman, Danzas DV LCC, Russia, and EV Logistics, Canada.

Additional information on the size of the shareholdings can be found in the list of shareholdings, which can be accessed on the website, www.dp-dhl.com/en/investors.html.

3 Significant transactions

Sale of Deutsche Postbank shares

As part of the sale of Deutsche Postbank shares, a further 27.4% interest in Deutsche Postbank AG was transferred to Deutsche Bank AG at the end of February 2012, when a mandatory exchangeable bond fell due.

In addition, Deutsche Post AG exercised its put option for the remaining 12.1% of the shares it held in Postbank. Both transactions are part of a three-phase sale of shares agreed between the two companies in January 2009. Now that the second and third stages of the transaction have been completed, Deutsche Post AG no longer holds any shares in Deutsche Postbank AG.

The financial instruments relating to the Postbank sale were measured for the last time in February 2012; no such measurement will be performed again in the future.

The effects of the Postbank sale for the period up to 31 December 2012 are as follows:

Effects of the disposal of Deutsche Postbank AG

€m

	February 2012
Mandatory exchangeable bond	2,946
Cash collateral	1,305
Forward	–1,265
Put option	–566
Total	**2,420**
Less carrying amount of the investment	1,916
Total	**504**
Less expenses from the currency translation reserve	44
Plus income from the IAS 39 reserves	81
Disposal gain	**541**
Other effects of the Postbank sale	–355
Total effect	186

The disposal of the Postbank shares thus resulted in a total effect of €186 million, which is reported in net finance costs. The following table shows the other effects of the Postbank sale on the income statement:

Other effects of the Postbank sale

€m

	2011	2012
Interest expense on exchangeable bond	–130	–20
Interest expense on cash collateral	–50	–8
Net loss on subsequent measurement of the forward	–160	–228
Net loss on measurements of the option	–71	–99
Impairment loss on measurement of shares before reclassification under IFRS 5	–63	0
Reversal of impairment loss (+) on shares under IFRS 5	115	0
Total	**–359**	**–355**

The prior-year impairment loss on measurement of shares before reclassification under IFRS 5 contained the balance of impairment losses of €136 million and impairment loss reversals of €251 million.

Demand for repayment of state aid

In order to implement the European Commission's state aid ruling of 25 January 2012, the German federal government on 29 May 2012 called upon Deutsche Post AG to make a payment of €298 million, including interest. In agreement with the government, Deutsche Post AG paid this amount into a trust account on 1 June 2012 and appealed the recovery order. The European Commission had instituted state aid proceedings in 2007 and in its decision had come to the conclusion that the pension relief on civil servants' pensions granted by the *Bundesnetzagentur* (German federal network agency) during the price approval process had led to illegal state aid being granted to Deutsche Post AG. Deutsche Post AG is of the opinion that the decision cannot withstand legal review and appealed it to the European Court of Justice in Luxembourg on 4 April 2012. The Federal Republic of Germany also filed an appeal.

The European Commission has thus far not expressed its final acceptance of the calculation of the state aid to be repaid. It cannot be ruled out that Deutsche Post AG will be required to make a higher payment. In its state aid ruling of 25 January 2012, the European Commission did not make a definitive assessment of the amount of the purported unlawful state aid. Such amount has to be calculated by the Federal Republic of Germany. The payment made was reported solely in the balance sheet under non-current assets; the earnings position remained unaffected. Detailed information regarding the state aid proceedings can be found in Note 50.

Additional VAT payment

The German tax authorities announced in June 2012 that they would be modifying Deutsche Post AG's tax assessments in the third quarter of 2012. The decision resulted from an extensive review of complex issues pertaining to tax law and relates to the period from 1998 to 30 June 2010. The amended law on VAT for postal services took effect on 1 July 2010. The additional VAT payment amounted to €482 million after the deduction of outstanding tax refund claims, and was made by the end of the third quarter. A large part of the additional payment amount relates to tax matters for which the Group had in some cases already recognised provisions. The impact on EBIT for the financial year amounted to €181 million, while the interest expense was €115 million.

Issuance of bonds and convertible bond

Deutsche Post Finance B.V. placed two new bonds with an aggregate principal amount of €1.25 billion on the market in June 2012 under the Debt Issuance Programme (DIP). The bonds are fully guaranteed by Deutsche Post AG. They mature on 27 June 2017 and 27 June 2022, respectively; ➔ Note 43.

At the beginning of December 2012, Deutsche Post AG issued bonds with a principal amount of €2 billion to fund pension obligations. In more detail, these comprise two bonds with principal amounts of €300 million and €700 million, respectively, and a convertible bond on Deutsche Post AG shares with a principal amount of €1 billion. The convertible bond has conversion rights that can be exercised between 16 January 2013 and 21 November 2019, and a call option giving Deutsche Post AG the right to redeem the bond early for the principal amount plus accrued interest if Deutsche Post AG's share price more than temporarily exceeds 130% of the conversion price applicable at that time. The option can be exercised between 6 December 2017 and 16 November 2019. The terms of the contract for the convertible bond mean that it has to be split into a debt component and an equity component. The equity instrument in the amount of €74 million is reported under the capital reserves, whilst the debt component of €920 million is reported under financial liabilities (bonds). Transaction costs of €0.5 and €5.8 million are included in the aforementioned amounts. Further disclosures on the convertible bond are contained in ➔ Note 43.

4 New developments in international accounting under IFRSS

The following Standards, changes to Standards and Interpretations are required to be applied on or after 1 January 2012:

	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IFRS 7 (Financial Instruments: Disclosures – Transfers of Financial Assets)	1 July 2011	Additional disclosure requirements for transfers of financial instruments designed to provide an improved understanding of the effect of the risks remaining with the entity. The amendment has no significant effect on the consolidated financial statements.

New accounting pronouncements adopted by the EU but only required to be applied in future periods

The following Standards, changes to Standards and Interpretations have already been endorsed by the European Union. However, they will only be required to be applied in the future.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IAS 1 (Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income) (16 June 2011)	1 July 2012	In future, entities must classify items presented in other comprehensive income by whether or not they will be reclassified to profit or loss in subsequent periods (recycling). The presentation will be adjusted. There are no other effects.
Amendments to IAS 19 (Employee Benefits) (16 June 2011)	1 January 2013	This will significantly affect the recognition and measurement of the cost of defined benefit pension plans and termination benefits. The corresponding effects on the balance sheet as well as some changes to the disclosure requirements will also have to be taken into account. With regard to defined benefit plans, the future recognition of actuarial gains and losses (remeasurements) in other comprehensive income for the period, and the future use of a uniform discount rate for provisions for pensions and similar obligations, are of particular significance. The future more detailed requirements on the recognition of administration costs are also significant. There will be a changed categorization with regard to termination benefits. Due to the application of IAS 19R, staff costs for financial year 2012 will remain almost constant. In financial year 2013, staff costs will increase by approximately €10 million compared with the adjusted figures for 2012. The adjustment will increase net finance costs for 2012 by approximately €29 million, whereas net financial income/net finance costs for 2013 will improve by approximately €121 million compared with the adjusted figures for financial year 2012. Provisions for defined benefit plans and termination benefits will increase by a total of approximately €3.1 billion as at 31 December 2012, whilst other comprehensive income will be reduced by approximately €3.1 billion. The changes will be applied with effect from the beginning of 2013.
Amendments to IAS 12 (Deferred Tax: Recovery of Underlying Assets) (20 December 2010)	1 January 2013[1]	The amendment refers to the introduction of a mandatory rebuttable presumption in respect of the treatment of temporary taxable differences for investment property for which the fair value model is applied in accordance with IAS 40. The new rule is important for countries where the tax rules governing the use and the sale of such assets differ. As part of this amendment, SIC-21 (Income Taxes – Recovery of Revalued Non-Depreciable Assets) was also incorporated into IAS 12. The change has no effect on the consolidated financial statements.
Amendments to IAS 32 (Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities) (16 December 2011)	1 January 2014	These provide clarification on the conditions for offsetting financial assets and liabilities in the balance sheet. A right of set-off must be legally enforceable for all counterparties, both in the normal course of business and also in the event of insolvency, and it must exist at the balance sheet date. The Standard specifies which gross settlement systems can be regarded as net settlement for this purpose. The amendment will not have any significant effect on the presentation of the financial statements. In individual cases, additional disclosures may be required.
Amendments to IFRS 7 (Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities) (16 December 2011)	1 January 2013	The amendments to IAS 32 relating to the presentation of the offsetting of financial assets and liabilities and the associated additions to IFRS 7 require comprehensive disclosure of the rights of set-off, especially for those rights that do not result in offsetting under IFRSs. The change will have no significant influence on the financial statements.
IFRS 10 (Consolidated Financial Statements) (12 May 2011)	1 January 2014[1]	This introduces a uniform definition of control for all entities that are to be included in the consolidated financial statements. The standard also contains comprehensive requirements on determining a relationship where control exists. IFRS 10 supersedes IAS 27 (Consolidated and Separate Financial Statements) as well as SIC-12 (Consolidation – Special Purpose Entities). Special purpose entities previously consolidated in accordance with SIC-12 are now subject to IFRS 10. Preliminary assessment findings indicate no significant effects for the Group.
IFRS 11 (Joint Arrangements) (12 May 2011)	1 January 2014[1]	IFRS 11 supersedes IAS 31 (Interests in Joint Ventures). The option to proportionately consolidate joint ventures will be abolished. However, IFRS 11 will not require all entities that are currently subject to proportionate consolidation to be accounted for using the equity method in the future. IFRS 11 provides a uniform definition of the term "joint arrangements" and distinguishes between joint operations and joint ventures. The interest in a joint operation is recognised on the basis of direct rights and obligations, whereas the interest in the profit or loss of a joint venture must be accounted for using the equity method. The mandatory application of the equity method to joint ventures will in future follow the requirements of the revised IAS 28 (Investments in Associates and Joint Ventures). Preliminary assessment findings indicate no significant effects for the Group.
IFRS 12 (Disclosures of Interests in Other Entities) (12 May 2011)	1 January 2014[1]	This combines the disclosure requirements for all interests in subsidiaries, joint ventures, associates and unconsolidated structured entities into a single standard. An entity is required to provide quantitative and qualitative disclosures about the types of risks and financial effects associated with the entity's interests in other entities. IFRS 12 results in increased disclosure requirements.
IFRS 13 (Fair Value Measurement) (12 May 2011)	1 January 2013	This sets out a uniform, cross-standard framework for the measurement of fair value. It requires a specific presentation of the techniques used to determine fair value. The application of the new standard will result in additional disclosure requirements.
IAS 27 (Separate Financial Statements) (revised 2011) (12 May 2011)	1 January 2014[1]	The existing standard IAS 27 (Consolidated and Separate Financial Statements) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 27 (Separate Financial Statements) (revised 2011). The revised standard now only contains requirements applicable to separate financial statements. The amendment will not affect the financial statements.

[1] These standards were adopted into European law with a different effective date than the original standards.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IAS 28 (Investments in Associates and Joint Ventures) (revised 2011) (12 May 2011)	1 January 2014[1]	The existing standard IAS 28 (Investments in Associates) was revised in conjunction with the new standards IFRS 10, IFRS 11 and IFRS 12 and renamed IAS 28 (Investments in Associates and Joint Ventures) (revised 2011). Its scope is being extended to include accounting for joint ventures using the equity method. The previous requirements of SIC-13 (Jointly Controlled Entities – Non-Monetary Contributions by Venturers) are being incorporated into IAS 28. The change will have no significant influence on the financial statements.

The following are not relevant for the consolidated financial statements:
Amendments to IFRS 1 (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters), issued on 20 December 2010, effective for financial years beginning on or after 1 January 2013[1].
IFRIC 20 (Stripping Costs in the Production Phase of a Surface Mine), issued on 19 October 2011, required to be applied to financial years beginning on or after 1 January 2013.

[1] These standards were adopted into European law with a different effective date than the original standards.

New accounting requirements not yet adopted by the EU (endorsement procedure)

The IASB and the IFRIC issued further Standards and Interpretations in financial year 2012 and in previous years whose application is not yet mandatory for financial year 2012. The application of these IFRSs is dependent on their adoption by the EU.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
IFRS 9 (Financial Instruments) (12 November 2009)	1 January 2015	Introduces new guidance for the classification and measurement of financial assets, with the aim of replacing IAS 39. Financial liabilities were added in 2010. The inclusion in IFRS 9 of the exposure drafts on Amortised Cost and Impairment and on Hedge Accounting is being discussed. The effects on the Group of the parts of IFRS 9 that have already been issued are being assessed. The decision on EU endorsement of the standard is yet to be made.
Amendments to IFRS 9 (Financial Instruments) and IFRS 7 (Financial Instruments: Disclosures) (16 December 2011)	1 January 2015	Announcement of the mandatory effective date and further specification of the transitional provisions. The disclosure requirements under IFRS 9 were added to IFRS 7 as an amendment.
Improvements to IFRSs 2009–2011 Cycle (17 May 2012)	1 January 2013	The annual improvements process relates to the following standards: IFRS 1 (First-time Adoption of International Financial Reporting Standards), IAS 1 (Presentation of Financial Statements), IAS 16 (Property, Plant and Equipment), IAS 32 (Financial Instruments: Presentation) and IAS 34 (Interim Financial Reporting). The amendments will not affect the presentation of the financial statements.
Amendments to IFRS 10, IFRS 11, IFRS 12: Transitional Provisions (28 June 2012)	1 January 2013[1]	The amendments relate to the transitional provisions in respect of the first-time application of the standards. They must be applied in line with the effective dates for IFRS 10, IFRS 11 and IFRS 12.

The following are not relevant for the consolidated financial statements:
Amendments to IFRS 1 (First-time Adoption of International Financial Reporting Standards: Government Loans), issued on 13 March 2012, effective for financial years beginning on or after 1 January 2013.
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), issued on 31 October 2012, effective for financial years beginning on or after 1 January 2014.

[1] These standards are expected to be adopted into European law with a different effective date (1 January 2014) than the original standards.

5 Currency translation

The financial statements of consolidated companies prepared in foreign currencies are translated into euros (€) in accordance with IAS 21 using the functional currency method. The functional currency of foreign companies is determined by the primary economic environment in which they mainly generate and use cash. Within the Group, the functional currency is predominantly the local currency. In the consolidated financial statements, assets and liabilities are therefore translated at the closing rates, whilst periodic income and expenses are generally translated at the monthly closing rates. The resulting currency translation differences are recognised in other comprehensive income. In financial year 2012, currency translation differences amounting to €56 million (previous year: €165 million) were recognised in other comprehensive income (see the statement of comprehensive income and statement of changes in equity).

Goodwill arising from business combinations after 1 January 2005 is treated as an asset of the acquired company and therefore carried in the functional currency of the acquired company.

The exchange rates for the currencies that are significant for the Group were as follows:

		Closing rates		Average rates	
Currency	Country	2011 EUR 1 =	2012 EUR 1 =	2011 EUR 1 =	2012 EUR 1 =
USD	USA	1.2935	1.3191	1.3994	1.2928
CHF	Switzerland	1.2166	1.2075	1.2319	1.2043
GBP	UK	0.8355	0.8156	0.8711	0.8116
AUD	Australia	1.2719	1.2719	1.3445	1.2445
JPY	Japan	100.1169	113.6625	111.3393	103.4778
CNY	China	8.1422	8.2180	9.0259	8.1458
SEK	Sweden	8.9254	8.5912	9.0081	8.6853

The carrying amounts of non-monetary assets recognised at consolidated companies operating in hyperinflationary economies are generally indexed in accordance with IAS 29 and thus reflect the current purchasing power at the balance sheet date.

In accordance with IAS 21, receivables and liabilities in the financial statements of consolidated companies that have been prepared in local currencies are translated at the closing rate as at the balance sheet date. Currency translation differences are recognised in other operating income and expenses in the income statement. In financial year 2012, income of €178 million (previous year: €185 million) and expenses of €181 million (previous year: €189 million) resulted from currency translation differences. In contrast, currency translation differences relating to net investments in a foreign operation are recognised in other comprehensive income.

6 Accounting policies

Uniform accounting policies are applied to the annual financial statements of the entities that have been included in the consolidated financial statements. The consolidated financial statements are prepared under the historical cost convention, except where items are required to be recognised at their fair value.

Revenue and expense recognition

Deutsche Post DHL's normal business operations consist of the provision of logistics services. All income relating to normal business operations is recognised as revenue in the income statement. All other income is reported as other operating income. Revenue and other operating income is generally recognised when services are rendered, the amount of revenue and income can be reliably measured and, in all probability, the economic benefits from the transactions will flow to the Group. Operating expenses are recognised in income when the service is utilised or when the expenses are incurred.

Intangible assets

Intangible assets are measured at amortised cost. Intangible assets comprise internally generated and purchased intangible assets and purchased goodwill.

Internally generated intangible assets are capitalised at cost if it is probable that their production will generate an inflow of future economic benefits and the costs can be reliably measured. In the Group, this concerns internally developed software. If the criteria for capitalisation are not met, the expenses are recognised immediately in income in the year in which they are incurred. In addition to direct costs, the production cost of internally developed software includes an appropriate share of allocable production overhead costs. Any borrowing costs incurred for qualifying assets are included in the production cost. Value added tax arising in conjunction with the acquisition or production of intangible assets is included in the cost if it cannot be deducted as input tax. Capitalised software is amortised using the straight-line method over useful lives of between two and five years.

Intangible assets are amortised using the straight-line method over their useful lives. Licences are amortised over the term of the licence agreement. Capitalised customer relationships are amortised using the straight-line method over a period of five to 20 years. Impairment losses are recognised in accordance with the principles described in the section headed Impairment.

Intangible assets that are not affected by legal, economic, contractual, or other factors that might restrict their useful lives are considered to have indefinite useful lives. They are not amortised but are tested for impairment annually or whenever there are indications of impairment. They mainly include brand names from business combinations. Impairment testing is carried out in accordance with the principles described in the section headed Impairment.

Property, plant and equipment

Property, plant and equipment is carried at cost, reduced by accumulated depreciation and valuation allowances. In addition to direct costs, production cost includes an appropriate share of allocable production overhead costs. Borrowing costs that can be allocated directly to the purchase, construction or manufacture of property, plant and equipment are capitalised. Value added tax arising in conjunction with the acquisition or production of items of property, plant or equipment is included in the cost if it cannot be deducted as input tax. Depreciation is generally charged using the straight-line method. The estimated useful lives applied to the major asset classes are presented in the table below.

Useful lives

	Years[1]
Buildings	20 to 50
Technical equipment and machinery	10 to 20
Aircraft	15 to 20
IT systems	4 to 5
Transport equipment and vehicle fleet	4 to 18
Other operating and office equipment	8 to 10

[1] The useful lives indicated represent maximum amounts specified by the Group. The actual useful lives may be shorter due to contractual arrangements or other specific factors such as time and location.

If there are indications of impairment, an impairment test must be carried out; see the section headed Impairment.

Impairment

At each balance sheet date, the carrying amounts of intangible assets, property, plant and equipment and investment property are reviewed for indications of impairment. If there are any such indications, an impairment test must be carried out. This is done by determining the recoverable amount of the relevant asset and comparing it with the carrying amount.

In accordance with IAS 36, the recoverable amount is the asset's fair value less costs to sell or its value in use, whichever is higher. The value in use is the present value of the pre-tax free cash flows expected to be derived from the asset in future. The discount rate used is a pre-tax rate of interest reflecting current market conditions. If the recoverable amount cannot be determined for an individual asset, the recoverable amount is determined for the smallest identifiable group of assets to which the asset in question can be allocated and which generates independent cash flows (cash generating unit – CGU). If the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised immediately in respect of the asset. If, after an impairment loss has been recognised, a higher recoverable amount is determined for the asset or the CGU at a later date, the impairment loss is reversed up to a carrying amount that does not exceed the recoverable amount. The increased carrying amount attributable to the reversal of the impairment loss is limited to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in the past. The reversal of the impairment loss is recognised in the income statement. Impairment losses recognised in respect of goodwill may not be reversed.

Since January 2005, goodwill has been accounted for using the impairment-only approach in accordance with IFRS 3. This stipulates that goodwill must be subsequently measured at cost, less any cumulative adjustments from impairment losses. Purchased goodwill is therefore no longer amortised and instead is tested for impairment annually in accordance with IAS 36, regardless of whether any indication of possible impairment exists, as in the case of intangible assets with an indefinite useful life. In addition, the obligation remains to conduct an impairment test if there is any indication of impairment. Goodwill resulting from company acquisitions is allocated to the identifiable groups of assets (CGUs or groups of CGUs) that are expected to benefit from the synergies of the acquisition. These groups represent the lowest reporting level at which the goodwill is monitored for internal management purposes. The carrying amount of a CGU to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where impairment losses are recognised in connection with a CGU to which goodwill has been allocated, the existing carrying amount of the goodwill is reduced first. If the amount of the impairment loss exceeds the carrying amount of the goodwill, the difference is allocated to the remaining non-current assets in the CGU.

Finance leases

A lease financing transaction is an agreement in which the lessor conveys to the lessee the right to use an asset for a specified period in return for a payment or a number of payments. In accordance with IAS 17, beneficial ownership of leased assets is attributed to the lessee if the lessee substantially bears all risks and rewards incident to ownership of the leased asset. To the extent that beneficial ownership is attributable to the Group as the lessee, the asset is capitalised at the date on which use starts, either at fair value or at the present value of the minimum lease payments if this is less than the fair value. A lease liability in the same amount is recognised under non-current liabilities. The lease is subsequently measured at amortised cost using the effective interest method. The depreciation methods and estimated useful lives correspond to those of comparable purchased assets.

Operating leases

For operating leases, the Group reports the leased asset at amortised cost as an asset under property, plant and equipment where it is the lessor. The lease payments recognised in the period are shown under other operating income. Where the Group is the lessee, the lease payments made are recognised as lease expense under materials expense. Lease expenses and income are recognised using the straight-line method.

Investments in associates

Investments in associates are accounted for using the equity method in accordance with IAS 28 (Investments in Associates). Based on the cost of acquisition at the time of purchase of the investments, the carrying amount of the investment is increased or reduced annually to reflect the share of earnings, dividends distributed and other changes in the equity of the associates attributable to the investments of Deutsche Post AG or its consolidated subsidiaries. The goodwill contained in the carrying amounts of the investments is accounted for in accordance with IFRS 3. Investments in companies accounted for using the equity method are impaired if the recoverable amount falls below the carrying amount.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets include in particular cash and cash equivalents, trade receivables, originated loans and receivables, and derivative financial assets held for trading. Financial liabilities include contractual obligations to deliver cash or another financial asset to another entity. These mainly comprise trade payables, liabilities to banks, liabilities arising from bonds and finance leases, and derivative financial liabilities.

Fair value option

The Group applied the fair value option for the first time for financial year 2006. Under this option, financial assets or financial liabilities may be measured at fair value through profit or loss on initial recognition if this eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch). The Group makes use of the option in order to avoid accounting mismatches.

Financial assets

Financial assets are accounted for in accordance with the provisions of IAS 39, which distinguishes between four categories of financial instruments.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

These financial instruments are non-derivative financial assets and are carried at their fair value, where this can be measured reliably. If a fair value cannot be determined, they are carried at cost. Changes in fair value between reporting dates are generally recognised in other comprehensive income (revaluation reserve). The reserve is reversed to income either upon disposal or if the fair value falls below cost more than temporarily. If, at a subsequent balance sheet date, the fair value of a debt instrument has increased objectively as a result of events occurring after the impairment loss was recognised, the impairment loss is reversed in the appropriate amount. Impairment losses recognised in respect of equity instruments may not be reversed to income. If equity instruments are recognised at fair value, any reversals must be recognised in other comprehensive income. No reversals may be made in the case of equity instruments that were recognised at cost. Available-for-sale financial instruments are allocated to non-current assets unless the intention is to dispose of them within 12 months of the balance sheet date. In particular, investments in unconsolidated subsidiaries, marketable securities and other equity investments are reported in this category.

HELD-TO-MATURITY FINANCIAL ASSETS

Financial instruments are assigned to this category if there is an intention to hold the instrument to maturity and the economic conditions for doing so are met. These financial instruments are non-derivative financial assets that are measured at amortised cost using the effective interest method.

LOANS AND RECEIVABLES

These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Unless held for trading, they are recognised at cost or amortised cost at the balance sheet date. The carrying amounts of money market receivables correspond approximately to their fair values due to their short maturity. Loans and receivables are considered current assets if they mature not more than 12 months after the balance sheet date; otherwise, they are recognised as non-current assets. If the recoverability of receivables is in doubt, they are recognised at amortised cost, less appropriate specific or collective valuation allowances. A write-down on trade receivables is recognised if there are objective indications that the amount of the outstanding receivable cannot be collected in full. The write-down is recognised in the income statement via a valuation account.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

All financial instruments held for trading and derivatives that do not satisfy the criteria for hedge accounting are assigned to this category. They are generally measured at fair value. All changes in fair value are recognised in income. All financial instruments in this category are accounted for at the trade date. Assets in this category are recognised as current assets if they are either held for trading or will likely be realised within 12 months of the balance sheet date.

To avoid variations in earnings resulting from changes in the fair value of derivative financial instruments, hedge accounting is applied where possible and economically useful. Gains and losses from the derivative and the related hedged item are recognised in income simultaneously. Depending on the hedged item and the risk to be hedged, the Group uses fair value hedges and cash flow hedges.

The carrying amounts of financial assets not carried at fair value through profit or loss are tested for impairment at each balance sheet date and whenever there are indications of impairment. The amount of any impairment loss is determined by comparing the carrying amount and the fair value. If there are objective indications of impairment, an impairment loss is recognised in the income statement under other operating expenses or net financial income/net finance costs. Impairment losses are reversed if there are objective reasons arising after the balance sheet date indicating that the reasons for impairment no longer exist. The increased carrying amount resulting from the reversal of the impairment loss may not exceed the carrying amount that would have been determined (net of amortisation or depreciation) if the impairment loss had not been recognised. Impairment losses are recognised within the Group if the debtor is experiencing significant financial difficulties, it is highly probable that the debtor will be the subject of bankruptcy proceedings, there are material changes in the issuer's technological, economic, legal or market environment, or the fair value of a financial instrument falls below its amortised cost for a prolonged period.

A fair value hedge hedges the fair value of recognised assets and liabilities. Changes in the fair value of both the derivatives and the hedged item are recognised in income simultaneously.

A cash flow hedge hedges the fluctuations in future cash flows from recognised assets and liabilities (in the case of interest rate risks), highly probable forecast transactions as well as unrecognised firm commitments that entail a currency risk. The effective portion of a cash flow hedge is recognised in the hedging reserve in equity. Ineffective portions resulting from changes in the fair value of the hedging instrument are recognised directly in income. The gains and losses generated by the hedging transactions are initially recognised in equity and are then reclassified to profit or loss in the period in which the asset acquired or liability assumed affects profit or loss. If a hedge of a firm commitment subsequently results in the recognition of a non-financial asset, the gains and losses recognised directly in equity are included in the initial carrying amount of the asset (basis adjustment).

Net investment hedges in foreign entities are treated in the same way as cash flow hedges. The gain or loss from the effective portion of the hedge is recognised in other comprehensive income, whilst the gain or loss attributable to the ineffective portion is recognised directly in income. The gains or losses recognised in other comprehensive income remain there until the disposal or partial disposal of the net investment. Detailed information on hedging transactions can be found in Note 47.2.

Regular way purchases and sales of financial assets are recognised at the settlement date, with the exception of held-for-trading instruments, particularly derivatives. A financial asset is derecognised if the rights to receive the cash flows from the asset have expired. Upon transfer of a financial asset, a review is made under the requirements of IAS 39 governing disposal as to whether the asset should be derecognised. A disposal gain/loss arises upon disposal. The remeasurement gains/losses recognised in other comprehensive income in prior periods must be reversed as at the disposal date. Financial liabilities are derecognised if the payment obligations arising from them have expired.

Investment property

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation or both, rather than for use in the supply of services, for administrative purposes, or for sale in the normal course of the company's business. It is measured in accordance with the cost model. Depreciable investment property is depreciated over a period of between five and 50 years using the straight-line method. The fair value is determined on the basis of expert opinions. Impairment losses are recognised in accordance with the principles described under the section headed Impairment.

Inventories

Inventories are assets that are held for sale in the ordinary course of business, are in the process of production, or are consumed in the production process or in the rendering of services. They are measured at the lower of cost or net realisable value. Valuation allowances are charged for obsolete inventories and slow-moving goods.

Government grants

In accordance with IAS 20, government grants are recognised at their fair value only when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. The grants are reported in the income statement and are generally recognised as income over the periods in which the costs they are intended to compensate are incurred. Where the grants relate to the purchase or production of assets, they are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Assets held for sale and liabilities associated with assets held for sale

Assets held for sale are assets available for sale in their present condition and whose sale is highly probable. The sale must be expected to qualify for recognition as a completed sale within one year of the date of classification. Assets held for sale may consist of individual non-current assets, groups of assets (disposal groups), components of an entity or a subsidiary acquired exclusively for resale (discontinued operations). Liabilities intended to be disposed of together with the assets in a single transaction form part of the disposal group or discontinued operation and are also reported separately as liabilities associated with assets held for sale. Assets held for sale are no longer depreciated or amortised, but are recognised at the lower of their fair value less costs to sell and the carrying amount. Gains and losses arising from the remeasurement of individual non-current assets or disposal groups classified as held for sale are reported in profit or loss from continuing operations until the final date of disposal. Gains and losses arising from the measurement at fair value less costs to sell of discontinued operations classified as held for sale are reported in profit or loss from discontinued operations. This also applies to the profit or loss from operations and the gain or loss on disposal of these components of an entity.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term liquid financial assets with an original maturity of up to three months and are carried at their principal amount. Overdraft facilities used are recognised in the balance sheet as amounts due to banks.

Non-controlling interests

Non-controlling interests are the proportionate minority interests in the equity of subsidiaries and are recognised at their carrying amount. If an interest is acquired from, or sold to, other shareholders without this impacting the existing control relationship, this is presented as an equity transaction. The difference between the proportionate net assets acquired from, or sold to, another shareholder/other shareholders and the purchase price is recognised in other comprehensive income. If non-controlling interests are increased by the proportionate net assets, no goodwill is allocated to the proportionate net assets.

Share-based payment

Assumptions regarding the price of Deutsche Post AG's shares and assumptions regarding employee fluctuation are taken into account when measuring the value of share-based payments for executives (Share Matching Scheme, SMS), which are required to be accounted for as equity-settled share-based payments pursuant to IFRS 2. Assumptions are also made regarding the conversion behaviour of executives with respect to their relevant bonus portion. Share-based payment arrangements are entered into each year, with 1 January of the respective year being the grant date for that year's tranche. All assumptions are reviewed on a quarterly basis. The resulting staff costs are recognised pro rata in profit or loss to reflect the services rendered as consideration during the vesting period (lock-up period). Obligations that in future are settled by issuing shares in Deutsche Post AG and do not provide the executives with a choice of settlement are recognised in equity pursuant to IFRS 2.

Stock appreciation rights issued to members of the Board of Management and executives are measured on the basis of an option pricing model in accordance with IFRS 2. The stock appreciation rights are measured on each reporting date and on the settlement date. The amount determined for stock appreciation rights that will probably be exercised is recognised pro rata in income under staff costs to reflect the services rendered as consideration during the vesting period (lock-up period). A provision is recognised for the same amount.

Pension obligations

In a number of countries, the Group maintains defined benefit pension plans based on the pensionable compensation and length of service of employees. These pension plans are funded via external plan assets and provisions for pensions and similar obligations. Pension obligations are measured using the projected unit credit method prescribed by IAS 19 for defined benefit plans. This involves making certain actuarial assumptions. In accordance with the version of IAS 19.92 currently applicable, actuarial gains and losses are recognised only to the extent that they exceed the greater of 10% of the present value of the obligations or of the fair value of plan assets (10% corridor). The excess is allocated over the expected remaining working lives of the active employees and recognised in income. The interest cost and expected return on plan assets components of the pension expense are reported under net financial income/net finance costs, the other components under staff costs.

The Group also contributes to a number of defined contribution pension plans. Contributions to these pension plans are recognised as staff costs.

In addition, the Group participates in a number of multi-employer pension plans. The relevant institutions do not provide the participating companies with sufficient information which allows the allocation of the respective proportionate share of the defined benefit obligation, plan assets and costs. The plans are therefore accounted for as if they were defined contribution plans.

PENSION PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

Deutsche Post AG pays contributions to defined contribution plans for civil servants in accordance with statutory provisions.

Under the provisions of the *Gesetz zum Personalrecht der Beschäftigten der früheren Deutschen Bundespost* (PostPersRG – Deutsche Bundespost Former Employees Act), introduced as article 4 of the *Gesetz zur Neuordnung des Postwesens und der Telekommunikation* (PTNeuOG – German Posts and Telecommunications Reorganisation Act), Deutsche Post AG provides benefit and assistance payments through a special pension fund for postal civil servants (*Postbeamtenversorgungskasse*) operated jointly, since early 2001, by the Deutsche Bundespost successor companies, the Bundes-Pensions-Service für Post und Telekommunikation e.V. (BPS-PT), to retired employees or their surviving dependants who are entitled to benefits on the basis of a civil service appointment. The amount of Deutsche Post AG's payment obligations is governed by section 16 of the PostPersRG. Since 2000, this Act has obliged Deutsche Post AG to pay into the postal civil servant pension fund an annual contribution of 33% of the gross compensation of its active civil servants and the notional gross compensation of civil servants on leave of absence who are eligible for a pension.

In the year under review, expenses resulting from Deutsche Post AG's contributions to the BPS-PT amounted to €542 million (previous year: €531 million).

Under section 16 of the PostPersRG, the federal government takes appropriate measures to make good the difference between the current payment obligations of the postal civil servant pension fund on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that the postal civil servant pension fund is able at all times to meet the obligations it has assumed in respect of its funding companies. Insofar as the federal government makes payments to the postal civil servant pension fund under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG.

Under the *Gesetz zur Neuordnung der Postbeamtenversorgungskasse* (PVKNeuG – Act for the Reorganisation of the Postal Civil Servant Pension Fund), which entered into force on 1 January 2013, the Bundesanstalt für Post und Telekommunikation (BAnstPT – Federal Posts and Telecommunications Agency) as legal successor assumes the BPS-PT's rights and obligations and undertakes the tasks of the postal civil servant pension fund. There will be no change to the requirements relating to the contribution payable in accordance with section 16 of the PostPersRG.

PENSION PLANS FOR HOURLY WORKERS AND SALARIED EMPLOYEES

The obligations under defined benefit pension plans for the Group's hourly workers and salaried employees relate primarily to pension obligations in Germany and pension or lump-sum obligations in the UK, the Netherlands, Switzerland and the USA. There are various commitments to individual groups of employees. The commitments usually depend on length of service and either final salary (e.g., the UK) or the amount of contributions paid (e.g., Switzerland), or a fixed-amount benefit system (e.g., Germany).

Some of the defined benefit plans have been closed to new entrants (e.g., in the UK) or additionally to further increases in benefits for existing beneficiaries (e.g., in the USA); in these cases, there has been a switch to defined contribution plans. Financial information on the defined benefit plans can be found in Note 41.

In 2012, employer contributions totalling €238 million were paid in respect of defined contribution plans for the Group's hourly workers and salaried employees (previous year: €198 million).

Other provisions

Other provisions are recognised for all legal or constructive obligations to third parties existing at the balance sheet date that have arisen as a result of past events, that are expected to result in an outflow of future economic benefits and whose amount can be measured reliably. They represent uncertain obligations that are carried at the best estimate of the expenditure required to settle the obligation. Provisions with more than one year to maturity are discounted at market rates of interest that reflect the risk, region and time to settlement of the obligation. The discount rates used in the financial year were between 0.25% and 9.25% (previous year: 0.5% to 10.75%). The effects arising from changes in interest rates are recognised in net financial income/net finance cost.

Provisions for restructurings are only established in accordance with the aforementioned criteria for recognition if a detailed, formal restructuring plan has been drawn up and communicated to those affected.

The technical reserves (insurance) consist mainly of outstanding loss reserves and IBNR (incurred but not reported claims) reserves. Outstanding loss reserves represent estimates of ultimate obligations in respect of actual claims or known incidents expected to give rise to claims, which have been reported to the company but which have yet to be finalised and presented for payment. Outstanding loss reserves are based on individual claim valuations carried out by the company or its ceding insurers. IBNR reserves represent estimates of ultimate obligations in respect of incidents taking place on or before the balance sheet date that have not been reported to the company but will nonetheless give rise to claims in the future. Such reserves also include provisions for potential errors in settling outstanding loss reserves. The company carries out its own assessment of ultimate loss liabilities using actuarial methods and also commissions an independent actuarial study of these each year in order to verify the reasonableness of its estimates.

Financial liabilities

On initial recognition, financial liabilities are carried at fair value less transaction costs. The price determined on a price-efficient and liquid market or a fair value determined using the treasury risk management system deployed within the Group is taken as the fair value. In subsequent periods the financial liabilities are measured at amortised cost. Any differences between the amount received and the amount repayable are recognised in income over the term of the loan using the effective interest method.

CONVERTIBLE BOND ON DEUTSCHE POST AG SHARES

The convertible bond on Deutsche Post AG shares is split into an equity and a debt component, in line with the contractual arrangements. The debt component, less the transaction costs, is reported under financial liabilities (bonds), with interest added up to the issue amount over the term of the bond using the effective interest method (unwinding of discount). The value of the call option, which allows Deutsche Post AG to redeem the bond early if a specified share price is reached, is attributed to the debt component in accordance with IAS 32.31. The conversion right is classified as an equity derivative and is reported in capital reserves. The carrying amount is calculated by assigning to the conversion right the residual value that results from deducting the amount calculated separately for the debt component from the fair value of the instrument as a whole. The transaction costs are deducted on a proportionate basis.

Liabilities

Trade payables and other liabilities are carried at amortised cost. The fair value of the liabilities corresponds more or less to their carrying amount.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for temporary differences between the carrying amounts in the IFRS financial statements and the tax accounts of the individual entities. Deferred tax assets also include tax reduction claims which arise from the expected future utilisation of existing tax loss carryforwards and which are likely to be realised. In compliance with IAS 12.24 (b) and IAS 12.15 (b), deferred tax assets or liabilities were only recognised for temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG where the differences arose after 1 January 1995. No deferred tax assets or liabilities are recognised for temporary differences resulting from initial differences in the opening tax accounts of Deutsche Post AG as at 1 January 1995. Further details on deferred taxes from tax loss carryforwards can be found in ➲ Note 29.

In accordance with IAS 12, deferred tax assets and liabilities are calculated using the tax rates applicable in the individual countries at the balance sheet date or announced for the time when the deferred tax assets and liabilities are realised. The tax rate of 29.8% (unchanged from the previous year) applied to German Group companies comprises the corporation tax rate plus the solidarity surcharge, as well as a municipal trade tax rate that is calculated as the average of the different municipal trade tax rates. Foreign Group companies use their individual income tax rates to calculate deferred tax items. The income tax rates applied for foreign companies amount to up to 41% (previous year: 41%).

Income taxes

Income tax assets and liabilities are measured at the amounts for which repayments from or payments to the tax authorities are expected to be received or made.

Contingent liabilities

Contingent liabilities represent possible obligations whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise. Contingent liabilities also include certain obligations that will probably not lead to an outflow of resources embodying economic benefits, or where the amount of the outflow of resources embodying economic benefits cannot be measured with sufficient reliability. In accordance with IAS 37, contingent liabilities are not recognised as liabilities; ➲ Note 48.

7 Exercise of judgement in applying the accounting policies

The preparation of IFRS-compliant consolidated financial statements requires the exercise of judgement by management. All estimates are reassessed on an ongoing basis and are based on historical experience and expectations with regard to future events that appear reasonable under the given circumstances. For example, this applies to assets held for sale. In this case, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If this is the case, the assets and the associated liabilities are reported and measured as assets held for sale and liabilities associated with assets held for sale.

Estimates and assessments made by management

The preparation of the consolidated financial statements in accordance with IFRSs requires management to make certain assumptions and estimates that may affect the amounts of the assets and liabilities included in the balance sheet, the amounts of income and expenses, and the disclosures relating to contingent liabilities. Examples of the main areas where assumptions, estimates and the exercise of management judgement occur are the recognition of provisions for pensions and similar obligations, the calculation of discounted cash flows for impairment testing and purchase price allocations, taxes and legal proceedings.

When determining the provisions for pensions and similar obligations, the discount rate used is an important factor that has to be estimated. The database used previously to calculate the discount rate is no longer considered to represent an adequate basis because significantly fewer high-quality corporate bonds with matching maturities were included due to rating downgrades. To calculate the discount rate for the euro zone, both the selection criteria applicable to the database and the extrapolation procedure have therefore been adjusted. In the future, the database will include high-quality corporate bonds with an AA – rating from at least one of the three major rating agencies. Overall, as at 31 December 2012, the change led to a 0.45 percentage point increase in the discount rate applied for the measurement of pension obligations in the euro zone. A decrease of 0.45 percentage points in the discount rate would result in an increase of around €600 million in pension obligations in the euro zone and of around €14 million in the following year's expense (excluding remeasurements). An increase or a reduction of 1 percentage point in the discount rate used would generally result in a reduction or increase of around €1,050 million in the present value of the total obligations of pension plans in Germany at the end of the year and in a reduction or increase of around €31 million in the following year's expense (excluding remeasurements). For Group companies in the UK, such a change in the discount rate would result in a decrease or increase of around €630 million in the present value of the total obligation at the end of the year and in a decrease or increase of around €41 million in the following year's expense (excluding remeasurements).

The Group has operating activities around the globe and is subject to local tax laws. Management can exercise judgement when calculating the amounts of current and deferred taxes in the relevant countries. Although management believes that it has made a reasonable estimate relating to tax matters that are inherently uncertain, there can be no guarantee that the actual outcome of these uncertain tax matters will correspond exactly to the original estimate made. Any difference between actual events and the estimate made could have an effect on tax liabilities and deferred taxes in the period in which the matter is finally decided. The amount recognised for deferred tax assets could be reduced if the estimates of planned taxable income or the tax benefits achievable as a result of tax planning strategies are revised downwards, or in the event that changes to current tax laws restrict the extent to which future tax benefits can be realised.

Goodwill is regularly reported in the Group's balance sheet as a consequence of business combinations. When an acquisition is initially recognised in the consolidated financial statements, all identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. One of the most important estimates this requires is the determination of the fair values of these assets and liabilities at the date of acquisition. Land, buildings and office equipment are generally valued by independent experts, whilst securities for which there is an active market are recognised at the quoted exchange price. If intangible assets are identified in the course of an acquisition, their measurement can be based on the opinion of an independent external expert valuer, depending on the type of intangible asset and the complexity involved in determining its fair value. The independent expert determines the fair value using appropriate valuation techniques, normally based on expected future cash flows. In addition to the assumptions about the development of future cash flows, these valuations are also significantly affected by the discount rates used.

Impairment testing for goodwill is based on assumptions with respect to the future. The Group carries out these tests annually and also whenever there are indications that goodwill has become impaired. The recoverable amount of the CGU must then be calculated. This amount is the higher of fair value less costs to sell and value in use. Determining value in use requires adjustments and estimates to be made with respect to forecasted future cash flows and the discount rate applied. Although management believes that the assumptions made for the purpose of calculating the recoverable amount are appropriate, possible unforeseeable changes in these assumptions – e.g., a reduction in the EBIT margin, an increase in the cost of capital or a decline in the long-term growth rate – could result in an impairment loss that could negatively affect the Group's net assets, financial position and results of operations.

Pending legal proceedings in which the Group is involved are disclosed in ➔ Note 50. The outcome of these proceedings could have a significant effect on the net assets, financial position and results of operations of the Group. Management regularly analyses the information currently available about these proceedings and recognises provisions for probable obligations including estimated legal costs. Internal and external legal advisers participate in making this assessment. In deciding on the necessity for a provision, management takes into account the probability of an unfavourable outcome and whether the amount of the obligation can be estimated with sufficient reliability. The fact that an action has been launched or a claim asserted against the Group, or that a legal dispute has been disclosed in the Notes, does not necessarily mean that a provision is recognised for the associated risk.

All assumptions and estimates are based on the circumstances prevailing and assessments made at the balance sheet date. For the purpose of estimating the future development of the business, a realistic assessment was also made at that date of the economic environment likely to apply in the future to the different sectors and regions in which the Group operates. In the event of developments in this general environment that diverge from the assumptions made, the actual amounts may differ from the estimated amounts. In such cases, the assumptions made and, where necessary, the carrying amounts of the relevant assets and liabilities, are adjusted accordingly.

At the date of preparation of the consolidated financial statements, there is no indication that any significant change in the assumptions and estimates made will be required, so that on the basis of the information currently available it is not expected that there will be any significant adjustments in financial year 2013 to the carrying amounts of the assets and liabilities recognised in the financial statements.

8 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint ventures and associates included in the consolidated financial statements, prepared in accordance with uniform accounting policies as at 31 December 2012 and audited by independent auditors.

Acquisition accounting for subsidiaries included in the consolidated financial statements uses the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given up, the equity instruments issued and the liabilities incurred or assumed at the transaction date. Acquisition-related costs are recognised as expenses. Contingent consideration is recognised at fair value at the date of initial consolidation.

Joint ventures are proportionately consolidated in accordance with IAS 31. Assets and liabilities, as well as income and expenses, of jointly controlled companies are included in the consolidated financial statements in proportion to the interest held in these companies. Proportionate acquisition accounting as well as recognition and measurement of goodwill use the same methods as applied to the consolidation of subsidiaries.

Companies on which the parent can exercise significant influence (associates) are accounted for in accordance with the equity method using the purchase method of accounting. Any goodwill is recognised under investments in associates.

In the case of step acquisitions, the equity portion previously held is remeasured at the fair value applicable on the date of acquisition and the resulting gain or loss recognised in profit or loss.

Intra-group revenue, other operating income, and expenses as well as receivables, liabilities and provisions between consolidated companies are eliminated. Intercompany profits or losses from intra-group deliveries and services not realised by sale to third parties are eliminated.

SEGMENT REPORTING

9 Segment reporting

Segments by division

€m	MAIL		EXPRESS		GLOBAL FORWARDING, FREIGHT		SUPPLY CHAIN		Corporate Center/ Other		Consolidation		Group	
1 Jan. to 31 Dec.	2011	2012	2011[1]	2012	2011[1]	2012	2011	2012	2011	2012	2011[1]	2012	2011	2012
External revenue	13,877	13,874	11,309	12,378	14,459	14,980	13,119	14,229	65	51	0	0	52,829	55,512
Internal revenue	96	98	382	400	659	686	104	111	1,195	1,152	−2,436	−2,447	0	0
Total revenue	13,973	13,972	11,691	12,778	15,118	15,666	13,223	14,340	1,260	1,203	−2,436	−2,447	52,829	55,512
Profit/loss from operating activities (EBIT)	1,107	1,051	916	1,108	440	512	362	416	−389	−420	0	−2	2,436	2,665
Net income from associates	1	0	0	0	1	2	0	0	58	0	0	0	60	2
Segment assets	4,325	4,433	8,587	8,684	8,007	7,951	6,314	6,264	3,167	1,322	−254	−215	30,146	28,439
Investments in associates	0	0	28	28	16	18	0	0	0	0	0	0	44	46
Segment liabilities[2]	2,919	2,505	2,684	2,547	2,959	2,950	2,924	2,825	820	797	−186	−120	12,120	11,504
Capex	433	332	601	597	136	150	252	300	294	318	0	0	1,716	1,697
Depreciation and amortisation	323	333	328	382	104	111	274	286	195	199	0	0	1,224	1,311
Impairment losses	31	1	6	18	0	0	13	2	0	7	0	0	50	28
Total depreciation, amortisation and impairment losses	354	334	334	400	104	111	287	288	195	206	0	0	1,274	1,339
Other non-cash expenses	321	329	189	279	108	79	115	129	40	58	0	0	773	874
Employees[3]	147,434	146,923	85,496	84,623	43,451	43,590	133,615	140,193	13,352	12,958	0	0	423,348	428,287

Information about geographical areas

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 Dec.	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
External revenue	16,743	16,825	17,475	17,840	8,808	9,819	7,611	8,619	2,192	2,409	52,829	55,512
Non-current assets	4,465	4,759	7,313	7,228	3,376	3,408	3,361	3,227	329	332	18,844	18,954
Capex	1,057	979	248	259	203	259	152	160	56	40	1,716	1,697

[1] Prior-year figures adjusted ➔ segment reporting disclosures.
[2] Including non-interest-bearing provisions.
[3] Average FTEs.

9.1 Segment reporting disclosures

Deutsche Post DHL reports four operating segments; these are managed independently by the responsible segment management bodies in line with the products and services offered and the brands, distribution channels and customer profiles involved. Components of the entity are defined as a segment on the basis of the existence of segment managers with bottom-line responsibility who report directly to Deutsche Post DHL's top management.

External revenue is the revenue generated by the divisions from non-Group third parties. Internal revenue is revenue generated with other divisions. If comparable external market prices exist for services or products offered internally within the Group, these market prices or market-oriented prices are used as transfer prices (arm's length principle). The transfer prices for services for which no external market exists are generally based on incremental costs.

The expenses for IT services provided in the IT service centres are allocated to the divisions by cause. The additional costs resulting from Deutsche Post AG's universal postal service obligation (nationwide retail outlet network, delivery every working day), and from its obligation to assume the compensation structure as the legal successor to Deutsche Bundespost, are allocated to the MAIL division.

In keeping with internal reporting, capital expenditure (capex) is disclosed. Additions to intangible assets net of goodwill and to property, plant and equipment are reported in the capex figure. Depreciation, amortisation and impairment losses relate to the segment assets allocated to the individual divisions. Other non-cash expenses relate primarily to expenses from the recognition of provisions.

Reflecting the Group's predominant organisational structure, the primary reporting format is based on the divisions. The Group distinguishes between the following divisions:

9.2 Segments by division

MAIL

In addition to the transport and delivery of written communications, the MAIL division is positioned as an end-to-end service provider for the management of written communications. The division comprises the following business units: Mail Communication, Dialogue Marketing, Press Services, Value-Added Services, Parcel Germany, Global Mail, Retail Outlets and the Pension Service.

EXPRESS

The EXPRESS division offers international and domestic courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express MEA business units. At the beginning of January 2012, the Czech less-than-truckload and part-truckload business of PPL CZ s.r.o. was transferred from the EXPRESS segment to the GLOBAL FORWARDING, FREIGHT segment. The transfer was made to enable the two divisions to concentrate on their respective core competencies. The prior-year figures were adjusted accordingly.

GLOBAL FORWARDING, FREIGHT

The activities of the GLOBAL FORWARDING, FREIGHT division comprise the transportation of goods by rail, road, air and sea. The division's business units are Global Forwarding and Freight. At the beginning of January 2012, the Czech less-than-truckload and part-truckload business of PPL CZ s.r.o. was transferred from the EXPRESS segment to the GLOBAL FORWARDING, FREIGHT segment. The transfer was made to enable the two divisions to concentrate on their respective core competencies. The prior-year figures were adjusted accordingly.

SUPPLY CHAIN

The division specialises in contract logistics and provides warehousing and transport services as well as value-added services along the entire supply chain in the different sectors. The division also offers end-to-end solutions for corporate information and communications management. The division's business units are Supply Chain and Williams Lea.

In addition to the reportable segments given above, segment reporting comprises the following categories:

Corporate Center/Other

Corporate Center/Other comprises Global Business Services (GBS), the Corporate Center, non-operating activities and other business activities. The profit/loss generated by GBS is allocated to the operating segments, whilst its assets and liabilities remain with GBS (asymmetrical allocation).

Consolidation

The data for the divisions are presented following consolidation of interdivisional transactions. The transactions between the divisions are eliminated in the Consolidation column.

9.3 Information about geographical areas

The main geographical areas in which the Group is active are Germany, Europe, the Americas, Asia Pacific and Other regions. External revenue, non-current assets and capex are disclosed for these regions. Revenue, assets and capex are allocated to the individual regions on the basis of the domicile of the reporting entity. Non-current assets primarily comprise intangible assets, property, plant and equipment and other non-current assets.

9.4 Reconciliation of segment amounts

Reconciliation of segment amounts to consolidated amounts

Reconciliation

€m	Total for reportable segments		Corporate Center/Other		Reconciliation to Group/ Consolidation		Consolidated amount	
	2011[1]	2012	2011	2012	2011[1]	2012	2011	2012
External revenue	52,764	55,461	65	51	0	0	**52,829**	**55,512**
Internal revenue	1,241	1,295	1,195	1,152	−2,436	−2,447	**0**	**0**
Total revenue	**54,005**	**56,756**	**1,260**	**1,203**	**−2,436**	**−2,447**	**52,829**	**55,512**
Other operating income	1,825	1,966	1,305	1,420	−1,080	−1,218	**2,050**	**2,168**
Materials expense	−31,642	−33,161	−1,335	−1,294	2,433	2,592	**−30,544**	**−31,863**
Staff costs	−15,855	−16,849	−894	−941	19	20	**−16,730**	**−17,770**
Other operating expenses	−4,429	−4,492	−530	−602	1,064	1,051	**−3,895**	**−4,043**
Depreciation, amortisation and impairment losses	−1,079	−1,133	−195	−206	0	0	**−1,274**	**−1,339**
Profit/loss from operating activities (EBIT)	**2,825**	**3,087**	**−389**	**−420**	**0**	**−2**	**2,436**	**2,665**
Net income from associates	2	2	58	0	0	0	**60**	**2**
Net other finance costs	–	–	–	–	–	–	**−837**	**−429**
Profit before income taxes	**–**	**–**	**–**	**–**	**–**	**–**	**1,659**	**2,238**
Income taxes	–	–	–	–	–	–	**−393**	**−458**
Consolidated net profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**1,266**	**1,780**
of which attributable to								
Deutsche Post AG shareholders	–	–	–	–	–	–	**1,163**	**1,658**
Non-controlling interests	–	–	–	–	–	–	**103**	**122**

[1] Prior-year figures adjusted ➔ segment reporting disclosures.

The following table shows the reconciliation of Deutsche Post DHL's total assets to the segment assets. Financial assets, income tax assets, deferred taxes, cash and cash equivalents as well as additional interest-bearing asset components are deducted.

Reconciliation of segment assets

€m	2011	2012
Total assets	38,408	34,121
Investment property	−40	−43
Non-current financial assets including investments in associates	−773	−1,085
Other non-current assets	−454	−535
Deferred tax assets	−1,153	−1,257
Income tax assets	−239	−127
Receivables and other current assets	−10	−10
Current financial assets	−2,470	−225
Cash and cash equivalents	−3,123	−2,400
Segment assets	**30,146**	**28,439**
of which Corporate Center/Other	3,167	1,322
Total for reportable segments	27,233	27,332
Consolidation	−254	−215

The following table shows the reconciliation of Deutsche Post DHL's total liabilities to the segment liabilities. The interest-bearing components of the provisions and liabilities as well as income tax liabilities and deferred taxes are deducted.

Reconciliation of segment liabilities

€m	2011	2012
Total equity and liabilities	38,408	34,121
Equity	−11,199	−12,164
Consolidated liabilities	**27,209**	**21,957**
Non-current provisions	−6,874	−4,643
Non-current liabilities	−1,713	−4,689
Current provisions	−287	−182
Current liabilities	−6,215	−939
Segment liabilities	**12,120**	**11,504**
of which Corporate Center/Other	820	797
Total for reportable segments	11,486	10,827
Consolidation	−186	−120

INCOME STATEMENT DISCLOSURES

10 Revenue

€m	2011	2012
Revenue	52,829	55,512

Revenue increased by €2,683 million (5.1 %) year-on-year to €55,512 million. The increase was due to the following factors:

Factors affecting revenue increase

€m	2012
Organic growth	1,161
Portfolio changes[1]	−216
Currency translation effects	1,738
Total	**2,683**

[1] Explanations → Note 2.

As in the prior-year period, there was no revenue in financial year 2012 that was generated on the basis of barter transactions. Revenue was up year-on-year in almost all areas.

The further classification of revenue by division and the allocation of revenue to geographical areas are presented in the segment reporting.

11 Other operating income

€m	2011	2012
Income from the reversal of provisions	398	396
Income from the remeasurement of liabilities	98	193
Income from currency translation differences	185	178
Insurance income	165	172
Income from fees and reimbursements	143	145
Rental and lease income	177	144
Gains on disposal of non-current assets	116	127
Commission income	94	119
Income from work performed and capitalised	117	105
Income from the remeasurement of assets and receivables	89	92
Income from prior-period billings	49	44
Income from loss compensation	21	24
Income from the derecognition of liabilities	34	20
Recoveries on receivables previously written off	17	13
Income from derivatives	13	11
Subsidies	11	9
Income from trade-related insurance deductions	7	6
Miscellaneous	316	370
Other operating income	**2,050**	**2,168**

The income from the reversal of provisions primarily reflects changes in the assessment of settlement payment obligations assumed in the context of the restructuring measures in the USA.

The increase in income from the remeasurement of liabilities relates largely to the reversal of accruals no longer required.

Amongst other things, gains on disposal of non-current assets include deconsolidation effects from the sale of the Express Couriers Limited (ECL) and Parcel Direct Group Pty Limited (PDG) joint ventures as well as from the change in the method of consolidation for Exel Saudia LLC.

Subsidies relate to grants for the purchase or production of assets. The grants are reported as deferred income and recognised in the income statement over the useful lives of the assets.

Miscellaneous other operating income includes a large number of smaller individual items.

12 Materials expense

€m	2011	2012
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Goods purchased and held for resale	1,564	1,779
Aircraft fuel	1,034	1,364
Fuel	804	871
Packaging material	290	351
Spare parts and repair materials	85	80
Office supplies	69	60
Other expenses	111	123
	3,957	**4,628**
Cost of purchased services		
Transportation costs	18,329	18,835
Cost of temporary staff	1,953	2,015
Expenses from non-cancellable leases	1,640	1,730
Maintenance costs	974	965
IT services	659	611
Expenses from cancellable leases	485	545
Commissions paid	440	456
Expenses for the use of Postbank branches	450	430
Other lease expenses (incidental expenses)	239	254
Other purchased services	1,418	1,394
	26,587	**27,235**
Materials expense	**30,544**	**31,863**

The increase in the materials expense is due on the one hand to higher aircraft fuel prices, and on the other hand to higher transportation costs as a result of the expansion of business activities.

Other expenses include a large number of individual items.

13 Staff costs/employees

€m	2011	2012
Wages, salaries and compensation	13,350	14,179
of which expenses under Share Matching Scheme	35	35
of which expenses from 2006 SAR Plan/LTIP	24	143
Social security contributions	2,022	2,094
Retirement benefit expenses	915	984
Expenses for other employee benefits	317	336
Expenses for severance payments	126	177
Staff costs	**16,730**	**17,770**

€16 million of the expenses under the Share Matching Scheme (previous year: €15 million) is attributable to cash-settled share-based payments and €19 million (previous year: €20 million) to equity-settled transactions.

Staff costs relate mainly to wages, salaries and compensation, as well as all other benefits paid to employees of the Group for their services in the year under review. Social security contributions relate in particular to statutory social security contributions paid by employers.

Retirement benefit expenses include additions to provisions for pensions and similar obligations with the exception of unwinding of discounts recognised in net financial income/net finance costs, as well as contributions to defined contribution pension plans. Detailed information can be found in ➔ Notes 6, 17 and 41.

The average number of Group employees in the year under review, broken down by employee group, was as follows:

Employees

	2011	2012
Hourly workers and salaried employees	418,375	424,950
Civil servants	44,421	42,461
Trainees	4,392	4,910
Employees	**467,188**	**472,321**

The employees of companies acquired or disposed of during the year under review were included rateably. Calculated as full-time equivalents, the number of employees as at 31 December 2012 amounted to 428,129 (31 December 2011: 423,502). The number of employees at consolidated joint ventures amounted to 169 on a proportionate basis (previous year: 1,199).

14 Depreciation, amortisation and impairment losses

€m	2011	2012
Amortisation of intangible assets, excluding the impairment of goodwill	306	295
Depreciation of property, plant and equipment		
Land and buildings (including leasehold improvements)	175	180
Technical equipment and machinery	233	242
Other equipment, operating and office equipment, vehicle fleet	418	420
Aircraft	142	202
Advance payments	0	0
	968	1,044
	1,274	**1,339**
Impairment of goodwill	0	0
Depreciation, amortisation and impairment losses	**1,274**	**1,339**

Depreciation, amortisation and impairment losses increased by €65 million year-on-year to €1,339 million. This figure includes impairment losses of €28 million (previous year: €50 million). The impairment losses are attributable to the segments as follows:

Impairment losses on non-current assets

€m	2011	2012
MAIL	**31**	**1**
Intangible assets	29	0
Property, plant and equipment	2	1
EXPRESS	**6**	**18**
Property, plant and equipment	6	18
of which aircraft	1	18
SUPPLY CHAIN	**13**	**2**
Intangible assets	0	1
Property, plant and equipment	13	1
of which land and buildings (including leasehold improvements)	7	0
of which technical equipment and machinery	6	1
Corporate Center/Other	**0**	**7**
Property, plant and equipment	0	7
of which land and buildings	0	7
Impairment losses	**50**	**28**

The impairment losses result mainly from aircraft that are no longer used.

In the previous year, most of the impairment losses were attributable to the MAIL segment and mainly related to software that was no longer in use.

15 Other operating expenses

€m	2011	2012
Other business taxes	315	550
Travel and training costs	343	344
Expenses for advertising and public relations	399	341
Cost of purchased cleaning and security services	289	315
Insurance costs	203	240
Warranty expenses and compensation payments	241	237
Telecommunication costs	234	227
Consulting costs	198	206
Write-downs of current assets	210	198
Expenses from currency translation differences	189	181
Office supplies	173	172
Entertainment and corporate hospitality expenses	151	144
Services provided by the Federal Posts and Telecommunications Agency	111	87
Voluntary social benefits	80	78
Contributions and fees	61	69
Commissions paid	63	68
Legal advisory costs	62	66
Losses on disposal of assets	69	59
Expenses from derivatives	28	56
Monetary transaction costs	33	38
Audit costs	30	32
Expenses from prior-period billings	31	28
Donations	17	19
Miscellaneous	365	288
Other operating expenses	**3,895**	**4,043**

The increase in other business taxes relates to the additional VAT payment for the period from 1998 to 30 June 2010; Note 3.

Miscellaneous other operating expenses include a large number of smaller individual items.

Taxes other than income taxes are either recognised under the related expense item or, if no specific allocation is possible, under other operating expenses.

16 Net income from associates

€m	2011	2012
Net income from associates	60	2

Investments in companies on which a significant influence can be exercised and which are accounted for using the equity method contributed €2 million (previous year: €60 million, of which €58 million was attributable to Deutsche Postbank AG) to net finance costs. This contribution mainly relates to Danzas AEI Emirates LLC, United Arab Emirates.

Net income from associates decreased as a result of the disposal of Deutsche Postbank AG.

17 Net other finance costs

€m	2011	2012
Other financial income		
Interest income	74	48
Income from other equity investments and financial assets	8	6
Gains on the disposal of associates	0	541
Other financial income	508	62
	590	**657**
Other finance costs		
Interest expenses	–660	–642
of which unwinding of discounts for provisions for pensions and other provisions	–299	–352
Write-downs of financial assets	–98	–35
Other finance costs	–633	–372
	–1,391	**–1,049**
Foreign currency result	–36	–37
Net other finance costs	**–837**	**–429**

In the previous year, €63 million of the write-downs of financial assets related to impairments in Corporate Center/Other of the equity interest in Deutsche Postbank AG due to the decline in the share price at the time of reclassification, and €9 million to the equity-accounted company Unipost Servicios Generales S.L., Spain, included in the MAIL segment.

Net finance costs includes interest income of €48 million (previous year: €74 million) as well as interest expense of €642 million (previous year: €660 million). These result from financial assets and liabilities that were not measured at fair value through profit or loss.

The effects of the Postbank sale, which was completed in February 2012, and the interest expense on the additional VAT payment, were the main factors affecting the net other finance costs of €429 million (previous year: €837 million); Note 3.

18 Income taxes

€m	2011	2012
Current income tax expense	–565	–591
Current recoverable income tax	21	4
	–544	**–587**
Deferred tax expense from temporary differences	–29	–58
Deferred tax income from tax loss carryforwards	180	187
	151	**129**
Income taxes	**–393**	**–458**

The reconciliation to the effective income tax expense is shown below, based on consolidated net profit before income taxes and the expected income tax expense:

Reconciliation

€m	2011	2012
Profit before income taxes	1,659	2,238
Expected income taxes	–494	–667
Deferred tax assets not recognised for initial differences	14	8
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	164	99
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	54	143
Effect of current taxes from previous years	–106	–70
Tax-exempt income and non-deductible expenses	–68	–42
Differences in tax rates at foreign companies	43	71
Income taxes	**–393**	**–458**

The difference from deferred tax assets not recognised for initial differences is due to temporary differences between the carrying amounts in the IFRS financial statements and in the tax accounts of Deutsche Post AG that result from initial differences in the opening tax accounts as at 1 January 1995. In accordance with IAS 12.15 (b) and IAS 12.24 (b), the Group did not recognise any deferred tax assets in respect of these temporary differences, which relate mainly to property, plant and equipment as well as to provisions for pensions and similar obligations. The remaining temporary differences between the carrying amounts in the IFRS financial statements and in the opening tax accounts amounted to €788 million as at 31 December 2012 (previous year: €815 million).

The effects from deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences relate primarily to Deutsche Post AG and members of its consolidated tax group. Effects from deferred tax assets of foreign companies not recognised for tax loss carryforwards and temporary differences relate primarily to the Americas region.

€85 million (previous year: €39 million) of the effects from deferred tax assets not recognised for tax loss carryforwards and temporary differences relates to the reduction of the effective income tax expense due to the utilisation of tax loss carryforwards and temporary differences, for which deferred tax assets had previously not been recognised. In addition, the recognition of deferred taxes previously not recognised for tax loss carryforwards and of deductible temporary differences from a prior period reduced the deferred tax expense by €207 million (previous year: €144 million). Effects from unrecognised deferred tax assets amounting to €79 million (previous year: €239 million, write-down) were due to a valuation allowance recognised for a deferred tax asset. Other effects from unrecognised deferred tax assets primarily relate to tax loss carryforwards for which no deferred taxes were recognised.

A deferred tax asset in the amount of €979 million (previous year: €881 million) was recognised in the balance sheet for companies that reported a loss in the previous year or in the current period as, based on tax planning, realisation of the tax asset is probable.

In financial year 2012, as in the previous year, German Group companies were not affected by tax rate changes. The change in the tax rate in some foreign tax jurisdictions did not lead to any significant effects.

The effective income tax expense includes prior-period tax expenses from German and foreign companies in the amount of €70 million (previous year: expense of €106 million).

The following table presents the tax effects on the components of other comprehensive income:

Other comprehensive income

€m	Before taxes	Income taxes	After taxes
2012			
Currency translation reserve	10	0	10
Other changes in retained earnings	2	0	2
IAS 39 hedging reserve	36	–9	27
IAS 39 revaluation reserve	–12	2	–10
IFRS 3 revaluation reserve	–2	0	–2
Share of other comprehensive income of associates	–37	0	–37
Other comprehensive income	**–3**	**–7**	**–10**
2011			
Currency translation reserve	167	0	167
Other changes in retained earnings	1	0	1
IAS 39 hedging reserve	–3	1	–2
IAS 39 revaluation reserve	–7	–2	–9
IFRS 3 revaluation reserve	–1	0	–1
Share of other comprehensive income of associates	10	0	10
Other comprehensive income	**167**	**–1**	**166**

19 Consolidated net profit for the period

In financial year 2012, the Group generated a consolidated net profit for the period of €1,780 million (previous year: €1,266 million). Of this figure, €1,658 million (previous year: €1,163 million) was attributable to Deutsche Post AG shareholders.

20 Non-controlling interests

The net profit attributable to non-controlling interests increased by €19 million to €122 million.

21 Earnings per share

Basic earnings per share are computed in accordance with IAS 33 (Earnings per Share) by dividing consolidated net profit by the average number of shares. Basic earnings per share for financial year 2012 were €1.37 (previous year: €0.96).

Basic earnings per share

		2011	2012
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,163	1,658
Weighted average number of shares outstanding	number	1,208,878,374	1,208,890,874
Basic earnings per share	€	**0.96**	**1.37**

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of all potentially dilutive shares. This item includes the executives' rights to shares under the Share Matching Scheme (as at 31 December 2012: 6,192,747 shares) and the maximum number of ordinary shares that can be issued on exercise of the conversion rights under the convertible bond issued on 6 December 2012. Consolidated net profit for the period attributable to Deutsche Post AG shareholders was increased by the amounts spent for the convertible bonds.

Diluted earnings per share

		2011	2012
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	1,163	1,658
Plus interest expense on the convertible bond	€m	–	0[1]
Less income taxes	€m	–	0[1]
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	–	1,658
Weighted average number of shares outstanding	number	1,208,878,374	1,208,890,874
Potentially dilutive shares	number	1,799,459	51,569,759
Weighted average number of shares for diluted earnings	number	1,210,677,833	1,260,460,633
Diluted earnings per share	€	**0.96**	**1.32**

[1] Rounded below €1 million.

22 Dividend per share

A dividend per share of €0.70 is being proposed for financial year 2012. Based on the 1,209,015,874 shares recorded in the commercial register as at 31 December 2012, this corresponds to a dividend distribution of €846 million. In the previous year the dividend amounted to €0.70 per share. Further details on the dividend distribution can be found in ➲ Note 39.

BALANCE SHEET DISCLOSURES

23 Intangible assets

23.1 Overview

€m	Internally generated intangible assets	Purchased brand names	Purchased customer lists	Other purchased intangible assets	Goodwill	Advance payments and intangible assets under development	Total
Cost							
Balance at 1 January 2011	**981**	**462**	**860**	**1,291**	**11,793**	**60**	**15,447**
Additions from business combinations	0	4	49	12	136	0	**201**
Additions	98	0	0	106	4	82	**290**
Reclassifications	8	0	0	47	0	–42	**13**
Disposals	–37	0	0	–39	–34	–11	**–121**
Currency translation differences	–1	15	33	6	209	0	**262**
Balance at 31 December 2011/1 January 2012	**1,049**	**481**	**942**	**1,423**	**12,108**	**89**	**16,092**
Additions from business combinations	0	0	0	0	33	0	**33**
Additions	65	0	4	134	0	101	**304**
Reclassifications	27	10	0	33	0	–49	**21**
Disposals	–57	0	0	–92	–29	–7	**–185**
Currency translation differences	–1	11	–2	2	–53	0	**–43**
Balance at 31 December 2012	**1,083**	**502**	**944**	**1,500**	**12,059**	**134**	**16,222**
Amortisation and impairment losses							
Balance at 1 January 2011	**669**	**432**	**397**	**973**	**1,127**	**1**	**3,599**
Additions from business combinations	0	0	0	1	0	0	**1**
Amortisation	98	0	71	108	0	0	**277**
Impairment losses	28	0	0	1	0	0	**29**
Reclassifications	0	0	0	1	0	0	**1**
Reversals of impairment losses	0	0	0	–1	0	0	**–1**
Disposals	–25	0	0	–28	–7	0	**–60**
Currency translation differences	0	14	19	2	15	0	**50**
Balance at 31 December 2011/1 January 2012	**770**	**446**	**487**	**1,057**	**1,135**	**1**	**3,896**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	97	0	78	119	0	0	**294**
Impairment losses	0	0	0	1	0	0	**1**
Reclassifications	5	0	0	–5	0	0	**0**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	–51	0	0	–79	–3	0	**–133**
Currency translation differences	0	11	–5	2	5	0	**13**
Balance at 31 December 2012	**821**	**457**	**560**	**1,095**	**1,137**	**1**	**4,071**
Carrying amount at 31 December 2012	**262**	**45**	**384**	**405**	**10,922**	**133**	**12,151**
Carrying amount at 31 December 2011	**279**	**35**	**455**	**366**	**10,973**	**88**	**12,196**

In financial year 2012, after the historical cost of intangible assets had been compared with the amounts available in local accounting systems, an adjustment was made for accumulated cost, and amortisation and impairment losses, in the amount of €199 million, with no effect on either the balance sheet or the income statement. The prior-year figures were adjusted accordingly.

Purchased software, concessions, industrial rights, licences and similar rights and assets are reported under purchased intangible assets. Internally generated intangible assets relate to development costs for internally developed software. Other than goodwill, only brand names that are acquired in their entirety are considered to have indefinite useful lives.

The additions to goodwill represent the goodwill of intelliAd Media GmbH, Exel Saudia LLC and 2 Sister Food Group; ➲ Note 2.

Of the net disposals of goodwill, €10 million relates to Parcel Direct Group and €16 million to Express Couriers Limited; ➲ Note 2.

23.2 Allocation of goodwill to CGUs

€m	2011	2012
Total goodwill[1]	**10,973**	**10,922**
MAIL	**687**	**701**
EXPRESS	**4,161**	**4,092**
GLOBAL FORWARDING, FREIGHT		
DHL Global Forwarding	3,843	3,802
DHL Freight	280	320
SUPPLY CHAIN		
DHL Supply Chain	1,699	1,699
Williams Lea	417	422

[1] Goodwill from reconciliation amounts to €–114 million (previous year: €–114 million).

For the purposes of annual impairment testing in accordance with IAS 36, the Group determines the recoverable amount of a CGU on the basis of its value in use. This calculation is based on projections of free cash flows that are initially discounted at a rate corresponding to the post-tax cost of capital. Pre-tax discount rates are then determined iteratively.

The cash flow projections are based on the detailed planning for EBIT, depreciation/amortization and investment planning adopted by management, as well as changes in net working capital, and take both internal historical data and external macroeconomic data into account. From a methodological perspective, the detailed planning phase covers a three-year planning horizon from 2013 to 2015. It is supplemented by a perpetual annuity representing the value added from 2016 onwards. This is calculated using a long-term growth rate, which is determined for each CGU separately and which is shown in the table below. The growth rates applied are based on long-term real growth figures for the relevant economies, growth expectations for the relevant sectors and long-term inflation forecasts for the countries in which the CGUs operate. The cash flow forecasts are based both on past experience and on the effects of the anticipated future general market trend. In addition, the forecasts take into account growth in the respective geographical submarkets and in global trade, and the ongoing trend towards outsourcing logistics activities. Cost trend forecasts for the transportation network and services also have an impact on value in use.

The pre-tax cost of capital is based on the weighted average cost of capital. The (pre-tax) discount rates for the individual CGUs and the growth rates assumed in each case for the perpetual annuity are shown in the following table:

%	Discount rates		Growth rates	
	2011	2012	2011	2012
SUPPLY CHAIN				
DHL Supply Chain	9.2	9.2	2.5	2.5
Williams Lea	7.8	7.8	2.0	2.0
GLOBAL FORWARDING, FREIGHT				
DHL Freight	9.4	9.4	2.0	2.0
DHL Global Forwarding	9.2	9.1	2.5	2.5
MAIL	**8.6**	**8.0**	**0.5**	**0.5**
EXPRESS	**n/a**	**9.2**	**n/a**	**2.0**

On the basis of these assumptions and the impairment tests carried out for the individual CGUs to which goodwill was allocated, it was established that the recoverable amounts for all CGUs exceed their carrying amounts. No impairment losses were recognised on goodwill in any of the CGUs as at 31 December 2012.

When performing the impairment test, Deutsche Post DHL conducted sensitivity analyses as required by IAS 36.134. These analyses did not reveal any risk of impairment to goodwill.

24 Property, plant and equipment

24.1 Overview

€m	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Aircraft	Vehicle fleet and transport equipment	Advance payments and assets under development	Total
Cost							
Balance at 1 January 2011	**4,445**	**4,164**	**2,386**	**1,674**	**1,961**	**232**	**14,862**
Additions from business combinations	24	18	9	0	6	0	**57**
Additions	60	238	182	36	277	637	**1,430**
Reclassifications	26	128	43	120	63	–414	**–34**
Disposals	–87	–268	–140	–120	–269	–18	**–902**
Currency translation differences	21	11	–1	–3	2	7	**37**
Balance at 31 December 2011/1 January 2012	**4,489**	**4,291**	**2,479**	**1,707**	**2,040**	**444**	**15,450**
Additions from business combinations	2	2	3	0	0	0	**7**
Additions	88	138	160	116	278	613	**1,393**
Reclassifications	88	201	52	402	33	–782	**–6**
Disposals	–124	–616	–168	–162	–238	–13	**–1,321**
Currency translation differences	–3	–6	–6	–6	1	1	**–19**
Balance at 31 December 2012	**4,540**	**4,010**	**2,520**	**2,057**	**2,114**	**263**	**15,504**
Depreciation and impairment losses							
Balance at 1 January 2011	**1,918**	**3,097**	**1,800**	**813**	**1,101**	**3**	**8,732**
Additions from business combinations	18	10	5	0	1	0	**34**
Depreciation	167	226	209	141	205	0	**948**
Impairment losses	8	7	2	1	2	0	**20**
Reclassifications	–6	–11	0	0	11	0	**–6**
Reversals of impairment losses	–4	–1	0	0	0	0	**–5**
Disposals	–73	–254	–129	–111	–226	–2	**–795**
Currency translation differences	15	11	1	–1	3	0	**29**
Balance at 31 December 2011/1 January 2012	**2,043**	**3,085**	**1,888**	**843**	**1,097**	**1**	**8,957**
Additions from business combinations	1	1	2	0	0	0	**4**
Depreciation	172	241	214	184	206	0	**1,017**
Impairment losses	8	1	0	18	0	0	**27**
Reclassifications	9	0	3	0	0	0	**12**
Reversals of impairment losses	0	–1	0	–9	0	0	**–10**
Disposals	–51	–592	–157	–147	–206	0	**–1,153**
Currency translation differences	–6	–3	–3	–2	1	0	**–13**
Balance at 31 December 2012	**2,176**	**2,732**	**1,947**	**887**	**1,098**	**1**	**8,841**
Carrying amount at 31 December 2012	**2,364**	**1,278**	**573**	**1,170**	**1,016**	**262**	**6,663**
Carrying amount at 31 December 2011	2,446	1,206	591	864	943	443	6,493

The accumulated cost and depreciation were each adjusted by €296 million based on the results of an asset inventory. This had no effect on the balance sheet or income statement. The prior-year figures were adjusted accordingly.

Advance payments relate only to advance payments on items of property, plant and equipment for which the Group has paid advances in connection with uncompleted transactions. Assets under development relate to items of property, plant and equipment in progress at the balance sheet date for whose production internal or third-party costs have already been incurred.

24.2 Finance leases

The following assets are carried as non-current assets resulting from finance leases:

€m	2011	2012
Land and buildings	51	47
Technical equipment and machinery	6	5
Other equipment, operating and office equipment	17	12
Aircraft	249	212
Vehicle fleet and transport equipment	4	4
Finance leases	**327**	**280**

The corresponding liabilities from finance leases are included under financial liabilities; ➲ Note 43.3.

25 Investment property

€m	2011	2012
Cost		
As at 1 January	53	61
Reclassifications	13	–6
Disposals	–5	–2
Currency translation differences	0	0
As at 31 December	**61**	**53**
Depreciation		
As at 1 January	16	21
Reclassifications	5	–11
As at 31 December	**21**	**10**
Carrying amount as at 31 December	**40**	**43**

Rental income for this property amounted to €3 million (previous year: €3 million), whilst the related expenses amounted to €3 million (previous year: €4 million). The fair value amounted to €82 million (previous year: €90 million).

26 Investments in associates

Investments in associates changed as follows:

€m	2011	2012
As at 1 January	1,847	44
Additions	0	3
Changes in Group's share of equity		
Changes recognised in profit or loss	60	2
Profit distributions	0	–1
Changes recognised in other comprehensive income	10	0
Impairment losses	–72	0
Elimination of intercompany profits and losses	0	0
Reclassified to current assets	–1,801	–2
Carrying amount as at 31 December	**44**	**46**

Investments in associates principally relate to Air Hong Kong Ltd, China, Danzas AEI Emirates LLC, United Arab Emirates, Tasman Cargo Airlines Pty. Limited, Australia, and Unipost Servicios Generales S.L., Spain.

The additions relate to the companies DHL Oman and All you need GmbH, Berlin, the latter of which was subsequently reclassified to current assets with a view to resale; ➲ Notes 2 and 35.

The reclassification as held for sale of the carrying amount of the investment in Deutsche Postbank AG (€1,801 million) in the previous year led to a decline in investments in associates; ➲ Notes 3 and 35.

Further disclosures on impairment losses are contained in ➲ Note 17.

The following tables show a summary of the aggregate income statements and balance sheets of the associates. The amounts do not relate to the shares attributable to Deutsche Post DHL, but are presented based on a notional 100% shareholding.

Aggregate results

€m	2011	2012
Revenue	584	646
Net profit for the year	4	3

Aggregate balance sheets

€m	2011	2012
Assets	513	469
Liabilities and provisions	410	373

27 Non-current financial assets

€m	2011	2012
Available-for-sale financial assets	172	162
Loans and receivables	428	737
Assets at fair value through profit or loss	94	115
Lease receivables	35	25
Non-current financial assets	**729**	**1,039**

The increase in loans and receivables is mainly due to the €298 million demanded as repayment of state aid; ➲ Note 3.

Write-downs of non-current financial assets amounting to €6 million (previous year: €13 million) were recognised in the income statement because the assets were impaired. €6 million (previous year: €12 million) of this amount is attributable to assets at fair value through profit or loss and €0 million (previous year: €1 million) to available-for-sale financial assets.

Compared with the market rates of interest prevailing at 31 December 2012 for comparable non-current financial assets, most of the housing promotion loans are low-interest or interest-free loans. They are recognised in the balance sheet at a present value of €26 million (previous year: €15 million). The principal amount of these loans totals €27 million (previous year: €17 million).

Details on restraints on disposal are contained in ➔ Note 47.2.

28 Other non-current assets

€m	2011	2012
Pension assets	453	534
Miscellaneous	117	99
Other non-current assets	**570**	**633**

Further information on pension assets can be found in ➔ Note 41.

29 Deferred taxes

€m	2011		2012	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	38	224	37	173
Property, plant and equipment	92	44	93	46
Non-current financial assets	22	54	18	59
Other non-current assets	7	49	7	55
Other current assets	40	48	38	33
Provisions	269	40	224	56
Financial liabilities	215	75	124	11
Other liabilities	115	47	104	45
Tax loss carryforwards	681	–	861	–
Gross amount	**1,479**	**581**	**1,506**	**478**
Netting	–326	–326	–249	–249
Carrying amount	**1,153**	**255**	**1,257**	**229**

€602 million (previous year: €523 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €259 million (previous year: €158 million) to foreign tax loss carryforwards.

No deferred tax assets were recognised for tax loss carryforwards of around €11.9 billion (previous year: €12.4 billion) and for temporary differences of around €1,772 million (previous year: €2,097 million), as it can be assumed that the Group will probably not be able to use these tax loss carryforwards and temporary differences in its tax planning.

Most of the tax loss carryforwards are attributable to Deutsche Post AG. It will be possible to utilise them for an indefinite period of time. In the case of the foreign companies, the significant tax loss carryforwards will not lapse before 2024.

Deferred taxes have not been recognised for temporary differences of €563 million (previous year: €572 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

Maturity structure

€m	Short-term	Long-term	Netting	Total
2012				
Deferred tax assets	492	1,014	–249	**1,257**
Deferred tax liabilities	125	353	–249	**229**
2011				
Deferred tax assets	571	908	–326	1,153
Deferred tax liabilities	326	255	–326	255

30 Inventories

Standard costs for inventories of postage stamps and spare parts in freight centres amounted to €15 million (previous year: €13 million). There was no requirement to charge significant valuation allowances on these inventories.

€m	2011	2012
Raw materials, consumables and supplies	170	184
Work in progress	28	60
Finished goods and goods purchased and held for resale	55	52
Spare parts for aircraft	20	25
Advance payments	0	1
Inventories	**273**	**322**

31 Income tax assets and liabilities

€m	2011	2012
Income tax assets	239	127
Income tax liabilities	570	534

All income tax assets and liabilities are current and have maturities of less than one year.

32 Receivables and other current assets

€m	2011	2012
Trade receivables	6,426	6,418
Prepaid expenses	672	679
Deferred revenue	480	534
Current tax receivables	586	491
Receivables from private postal agencies	8	148
Income from cost absorption	86	61
Creditors with debit balances	39	43
Receivables from loss compensation (recourse claims)	23	25
Receivables from employees	25	23
Receivables from insurance business	16	20
Receivables from Group companies	27	7
Receivables from cash-on-delivery	13	7
Receivables from sale of assets	29	0
Receivables from Bundes-Pensions-Service für Post und Telekommunikation e.V.	11	0
Miscellaneous other assets	648	656
Receivables and other current assets	**9,089**	**9,112**

Of the tax receivables, €373 million (previous year: €470 million) relates to VAT, €68 million (previous year: €71 million) to customs and duties, and €50 million (previous year: €45 million) to other tax receivables. Miscellaneous other assets include a large number of individual items.

33 Current financial assets

€m	2011	2012
Available-for-sale financial assets	8	24
Loans and receivables	215	77
Financial assets at fair value through profit or loss	2,234	109
Lease receivables	41	42
Current financial assets	**2,498**	**252**

The reduction in current financial assets is attributable to the sale of the interest in Deutsche Postbank and the associated put option recognised under assets at fair value through profit or loss in the previous year.

Of the available-for-sale financial assets, €24 million (previous year: €8 million) was measured at fair value. Details on restraints on disposal are contained in Note 47.2.

34 Cash and cash equivalents

€m	2011	2012
Cash equivalents	1,914	884
Bank balances	751	959
Cash in transit	311	441
Cash	18	13
Other cash and cash equivalents	129	103
Cash and cash equivalents	**3,123**	**2,400**

35 Assets held for sale and liabilities associated with assets held for sale

The amounts reported under these items mainly relate to the following:

€m	Assets		Liabilities	
	2011	2012	2011	2012
Deutsche Post AG – real estate (Corporate Center/Other)	21	22	0	0
DHL Fashion (France) SAS, France – fashion logistics (SUPPLY CHAIN segment)	0	13	0	18
Investment in All you need GmbH, Germany – (MAIL segment)	0	11	0	1
Exel Inc., USA – real estate (SUPPLY CHAIN segment)	3	9	0	0
DHL Logistics (China) Co. Ltd., China – real estate (SUPPLY CHAIN segment)	0	8	0	7
Cargus International S.R.L., Romania – domestic express business (EXPRESS segment)	0	7	0	4
Deutsche Post Immobilien GmbH, Germany – real estate (Corporate Center/Other)	0	4	0	0
US Express Aviation, USA – aircraft (EXPRESS segment)	4	2	0	0
Investment in Deutsche Postbank AG (Corporate Center/Other)	1,916	0	0	0
Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG, Germany – real estate (Corporate Center/Other)	15	0	0	0
Miscellaneous	2	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**1,961**	**76**	**0**	**30**

INVESTMENT IN DEUTSCHE POSTBANK AG

The sale of the interest in Deutsche Postbank AG held by Deutsche Post AG was completed at the end of February 2012; Note 3. At the end of February 2011, the shares of Deutsche Postbank AG held by Deutsche Post AG amounting to a 39.5% interest (86,417,432 shares) were reclassified as held for sale. As a result, the investment in Deutsche Postbank was measured in accordance with IFRS 5.

In the previous year, the last measurement of the carrying amount of the investment prior to its reclassification resulted in an impairment loss of €63 million. This was presented in write-downs of financial assets; Note 17. Additional write-downs of €136 million were recognised following the reclassification to assets held for sale in February 2011. In accordance with IFRS 5.21, any subsequent increase in fair value less costs to sell of the held-for-sale interest in Deutsche Postbank AG must be recognised as a gain, but not in excess of the cumulative impairment loss.

All previous write-downs in the total amount of €251 million were reversed due to the increase in Postbank's share price to €24.13 as at the end of 2011. The equity item included €81 million in income from the IAS 39 revaluation reserve and €44 million in expenses from the currency translation reserve that were attributable to Deutsche Postbank AG.

DEUTSCHE POST DHL CORPORATE REAL ESTATE MANAGEMENT GMBH & CO. LOGISTIKZENTREN KG

The properties held for sale by Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG (formerly Deutsche Post Immobilienentwicklung Grundstücksgesellschaft) Germany, were reclassified as non-current assets due to lack of demand.

ALL YOU NEED GMBH

All you need GmbH, Germany, was acquired with a view to resale by Deutsche Post Beteiligungen Holding GmbH; Note 2. In accordance with IFRS 5.39, the major classes of assets and liabilities are not disclosed. As, to date, no adjustment had to be made due to subsequent measurement and no gain/loss on disposal was recorded, presentation of a profit/loss from discontinued operations item was not required.

DHL LOGISTICS CHINA CO. LTD.

DHL Logistics China Co. Ltd., China, plans to sell a warehouse and to transfer the financial liability of €7 million related to the warehouse.

CARGUS INTERNATIONAL S.R.L.

Since the middle of October 2012, Deutsche Post DHL has intended to sell the domestic express business in Romania. The transaction is expected to be completed in the first quarter of 2013. The assets and liabilities of the company concerned were reclassified as held for sale in accordance with IFRS 5. The most recent appraisal of the assets prior to reclassification did not result in any impairment.

Cargus International S.R.L. – domestic business

€m	31 Dec. 2012
ASSETS	
Non-current assets	2
Current assets	3
Cash and cash equivalents	2
Total ASSETS	**7**
EQUITY AND LIABILITIES	
Non-current liabilities and provisions	0
Current liabilities and provisions	4
Total EQUITY AND LIABILITIES	**4**

DHL FASHION (FRANCE) SAS

Deutsche Post DHL plans to sell the fashion logistics business of DHL Fashion (France) SAS, France. The assets and liabilities of the business concerned were reclassified as held for sale in accordance with IFRS 5. The most recent appraisal prior to reclassification resulted in an impairment loss of €1 million, which is reported in depreciation, amortisation and impairment losses.

DHL Fashion (France) SAS – fashion logistics business

€m	31 Dec. 2012
ASSETS	
Non-current assets	0
Current assets	13
Cash and cash equivalents	0
Total ASSETS	**13**
EQUITY AND LIABILITIES	
Non-current liabilities and provisions	3
Current liabilities and provisions	15
Total EQUITY AND LIABILITIES	**18**

36 Issued capital

36.1 Share capital

KfW Bankengruppe (KfW) placed a 5% package of Deutsche Post AG shares on the market at the beginning of September 2012; Note 52.1. This placement reduced the interest in Deutsche Post AG's share capital held by KfW from 30.5% to 25.5%; the remaining 74.5% of the shares are in free float. KfW holds the shares in trust for the federal government.

Share ownership as at 31 December

number of shares	2011	2012
KfW	368,277,358	308,277,358
Free float	840,738,516	900,738,516
Share capital as at 31 December	**1,209,015,874**	**1,209,015,874**

36.2 Issued capital and purchase of treasury shares

The issued capital amounts to €1,209 million. It is composed of 1,209,015,874 no-par value registered shares (ordinary shares) with a notional interest in the share capital of €1 per share and is fully paid up.

Changes in issued capital

€	2011	2012
As at 1 January	1,209,015,874	1,209,015,874
Treasury shares acquired	–1,676,178	–1,770,503
Treasury shares issued	1,676,178	1,770,503
As at 31 December	**1,209,015,874**	**1,209,015,874**

Deutsche Post AG acquired 1.8 million shares at a total price of €26 million, including transaction costs, in a number of transactions in order to settle entitlements due under the 2011 tranche of the bonus programme for executives (Share Matching Scheme). In addition, 2,082 shares were acquired and issued to persons who have since left the Group. Consequently, issued capital was reduced by the notional value of the shares purchased. The average purchase price per share was €14.42. The issued capital increased again when the shares were issued to the executives.

The notional value of the treasury shares is deducted from issued capital, and the difference between the notional value and the reported value of the treasury shares is deducted from retained earnings.

Changes in treasury shares are presented in the statement of changes in equity.

Authorised/contingent capital as at 31 December 2012

	Amount €m	Purpose
Authorised Capital 2009	240	Increase in share capital against cash/non-cash contributions (until 20 April 2014)
Contingent Capital 2011	75	Issue of option/conversion rights (24 May 2016)

Authorised Capital 2009

As resolved by the Annual General Meeting on 21 April 2009, 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 until 20 April 2014 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. Shareholders are generally entitled to a subscription right. To date, the Board of Management has not made use of such authorisation.

Contingent Capital 2011

In its resolution dated 25 May 2011, the Annual General Meeting authorised the Board of Management, subject to the consent of the Supervisory Board, to issue bonds with warrants, convertible bonds and/or income bonds as well as profit participation certificates, or a combination thereof, in an aggregate principal amount of up to €1 billion, on one or more occasions until 24 May 2016, thereby granting options or conversion rights for up to 75 million shares having a total share in the share capital not to exceed €75 million. The share capital is contingently increased by up to €75 million.

Based on this authorisation, Deutsche Post AG issued a €1 billion convertible bond on 6 December 2012, allowing holders to convert the bond into up to 48 million Deutsche Post AG shares. Full use was made of the authorisation by issuing the bond.

36.3 Authorisation to acquire treasury shares

By way of a resolution adopted by the Annual General Meeting on 28 April 2010, the company is authorised to acquire treasury shares in the period to 27 April 2015 of up to 10% of the share capital existing when the resolution was adopted. The authorisation permits the Board of Management to exercise it for every purpose permitted by law, and in particular to pursue the goals mentioned in the resolution by the Annual General Meeting.

At the Annual General Meeting on 9 May 2012, the authorisation to acquire treasury shares was supplemented. In future, treasury shares acquired on the basis of the authorisation, with shareholders' pre-emptive rights disapplied, may also be used for the purposes of listing on a stock exchange outside Germany.

In addition, the Board of Management is authorised to acquire treasury shares using derivatives.

As on 31 December 2011, Deutsche Post AG did not hold any treasury shares on 31 December 2012.

36.4 Disclosures on corporate capital

The equity ratio was 35.6% in financial year 2012 (previous year: 29.2%). The company's capital is monitored using the net gearing ratio which is defined as net debt divided by the total of equity and net debt. In the previous year, the informative value of this key figure was limited due to the company's net liquidity and was therefore not disclosed.

Corporate capital

€m	2012
Total financial liabilities	4,776
Less cash and cash equivalents	2,400
Less current financial assets	252
Less long-term deposits	57
Less non-current derivative financial instruments	115
Net debt	**1,952**
Plus total equity	12,164
Total capital	**14,116**
Net gearing ratio (%)	13.8

37 Other reserves

€m	2011	2012
Capital reserves	2,170	2,254
IAS 39 revaluation reserve	90	–1
IAS 39 hedging reserve	–34	–7
IFRS 3 revaluation reserve	5	3
Currency translation reserve	–517	–463
Other reserves	**1,714**	**1,786**

37.1 Capital reserves

€m	2011	2012
Capital reserves as at 1 January	2,158	2,170
Share Matching Scheme		
Addition/issue of rights under Share Matching Scheme		
2009 tranche	3	2
2010 tranche	17	4
2011 tranche	13	18
2012 tranche	0	10
Exercise of rights under Share Matching Scheme		
2010 tranche	–21	0
2011 tranche	0	–24
	12	10
Conversion right	0	74
Capital reserves as at 31 December	**2,170**	**2,254**

An amount of €34 million (31 December 2011: €33 million) was transferred to the capital reserves in the period up to 31 December 2012 for the various tranches of the Share Matching Scheme.

The exercise of the rights to shares under the 2011 tranche in April 2012 reduced the capital reserves by €24 million (previous year: €21 million for the 2010 tranche) due to the issuance of treasury shares in this amount to the executives.

On issue of the convertible bond on Deutsche Post AG shares, the conversion right was recognised in capital reserves; ➔ Note 3.

37.2 IAS 39 revaluation reserve

The revaluation reserve comprises gains and losses from changes in the fair value of available-for-sale financial assets that have been recognised in other comprehensive income. This reserve is reversed to profit or loss either when the assets are sold or otherwise disposed of, or if the fair value of the assets falls significantly or permanently below their cost.

€m	2011	2012
As at 1 January	87	93
Currency translation differences	1	0
Unrealised gains/losses	–8	–12
Share of associates	13	–81
Realised gains/losses	0	0
Revaluation reserve as at 31 December before tax	**93**	**0**
Deferred taxes	–3	–1
Revaluation reserve as at 31 December after tax	**90**	**–1**

37.3 IAS 39 hedging reserve

The hedging reserve is adjusted by the effective portion of a cash flow hedge. The hedging reserve is released to profit or loss when the hedged item is settled.

€m	2011	2012
As at 1 January	–36	–39
Additions	–4	–29
Disposals in balance sheet (basis adjustment)	0	6
Disposals in income statement	1	59
Hedging reserve as at 31 December before tax	**–39**	**–3**
Deferred taxes	5	–4
Hedging reserve as at 31 December after tax	**–34**	**–7**

The change in the hedging reserve is mainly the result of the recognition of previously unrealised gains and losses from hedging future operating currency transactions. In the financial year, unrealised losses totalling €60 million and unrealised gains totalling €1 million from the hedging reserve were recognised in operating profit under other operating expenses (previous year: unrealised losses of €10 million and unrealised gains of €8 million were recognised in operating profit). There were no disposals in net finance costs in financial year 2012, as in the previous year. Furthermore, there were adjusting entries (basis adjustments) in the amount of €6 million (previous year: €0 million) for hedging transactions related to the acquisition of non-current non-financial assets. Deferred taxes have been recognised in respect of the hedging reserve.

37.4 IFRS 3 revaluation reserve

€m	2011	2012
As at 1 January	6	5
Changes recognised in other comprehensive income	–1	–2
IFRS 3 revaluation reserve as at 31 December	**5**	**3**

The IFRS 3 revaluation reserve includes the hidden reserves of DHL Logistics Co. Ltd., China, from purchase price allocation. These are attributable to the customer relationships contained in the 50% interest previously held and to adjustments to deferred taxes.

37.5 Currency translation reserve

The currency translation reserve includes the translation gains and losses from the consolidation of the subsidiaries reporting in foreign currency.

€m	2011	2012
As at 1 January	–682	–517
Transactions with non-controlling interests	0	–2
Comprehensive income		
Changes from unrealised gains and losses	191	9
Changes from realised gains and losses	–26	47
Currency translation reserve as at 31 December	**–517**	**–463**

38 Retained earnings

As well as the undistributed consolidated profits generated in prior periods, retained earnings also contain the effects from transactions with non-controlling interests. Changes in the reserves during the financial year are also presented in the statement of changes in equity.

€m	2011	2012
As at 1 January	7,767	8,086
Dividend payment	–786	–846
Consolidated net profit for the period	1,163	1,658
Transactions with non-controlling interests	–59	58
Miscellaneous other changes	1	0
Retained earnings as at 31 December	**8,086**	**8,956**

The transactions with non-controlling interests primarily include the sale in November 2012 of 6.03% of the shares in Blue Dart Express Limited, India, in which the previous interest was 81.03%, and the acquisition of the remaining 24% interest in DHL Logistics Private Limited (formerly DHL Lemuir Logistics Private Limited), India. The purchase price was paid and the shares were transferred at the beginning of April 2012.

Retained earnings include the reserve for treasury shares, which changed as follows:

€m	2011	2012
As at 1 January	–1	–1
Treasury shares acquired	–20	–24
Treasury shares issued	20	22
Reserve for treasury shares as at 31 December	**–1**	**–3**

Changes in treasury shares are presented in the statement of changes in equity.

39 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2012 amounted to €11,951 million (previous year: €11,009 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €1,314 million reported in Deutsche Post AG's annual financial statements in accordance with the *Handelsgesetzbuch* (HGB – German Commercial Code). The amount of €468 million remaining after deduction of the planned total dividend of €846 million (which corresponds to €0.70 per share) will be carried forward.

	Total dividend €m	Dividend per share €
Dividend distributed in financial year 2012 for the year 2011	846	0.70
Dividend distributed in financial year 2011 for the year 2010	786	0.65

The dividend is tax-exempt for shareholders resident in Germany. No capital gains tax (investment income tax) will be withheld on the distribution.

40 Non-controlling interests

This balance sheet item includes adjustments for the interests of non-Group shareholders in the consolidated equity from acquisition accounting, as well as their interests in profit or loss. The interests relate primarily to the following companies:

€m	2011	2012
DHL Sinotrans International Air Courier Ltd., China	86	107
Blue Dart Express Limited, India	19	29
Tradeteam Limited, UK	12	13
DHL Logistics Private Limited, India	17	0
Other companies	56	64
Non-controlling interests	**190**	**213**

The remaining 24% interest in DHL Logistics Private Limited (formerly DHL Lemuir Logistics Private Limited), India, was acquired at the beginning of April 2012.

The portion of other comprehensive income attributable to non-controlling interests largely relates to the currency translation reserve. The changes are shown in the following table:

€m	2011	2012
Balance at 1 January	–3	–5
Transactions with non-controlling interests	0	2
Comprehensive income		
Changes from unrealised gains and losses	–2	–2
Changes from realised gains and losses	0	0
Currency translation reserve as at 31 December	**–5**	**–5**

41 Provisions for pensions and similar obligations

The information below on pension obligations is generally broken down into the following areas: Germany, UK and Other.

41.1 Provisions for pensions and similar obligations by area

€m	Germany	UK	Other	Total
31 December 2012				
Provisions for pensions and similar obligations	2,105	117	220	**2,442**
Pension assets	0	325	209	**534**
Net pension provisions	**2,105**	**–208**	**11**	**1,908**
31 December 2011				
Provisions for pensions and similar obligations	4,096	140	209	**4,445**
Pension assets	0	266	187	**453**
Net pension provisions	**4,096**	**–126**	**22**	**3,992**

41.2 Actuarial assumptions

The majority of the Group's defined benefit obligations relate to plans in Germany and the UK. In addition, significant pension plans are provided in other euro zone countries, Switzerland and the USA. The actuarial measurement of the main benefit plans was based on the following assumptions:

%	Germany	UK	Other euro zone	Switzerland	USA
31 December 2012					
Discount rate	3.70	4.50	3.70	1.75	4.00
Rate of future salary increase	2.50	3.50	2.12	2.25	–
Future inflation rate	2.00	3.00	2.00	1.25	–
31 December 2011					
Discount rate	4.75	4.75	4.75	2.50	4.75
Rate of future salary increase	2.50	3.49	2.15	2.75	–
Future inflation rate	2.00	3.00	2.00	1.50	–

For the German Group companies, life expectancy was calculated using the *Richttafeln 2005 G* mortality tables published by Klaus Heubeck. Life expectancy for the British pension plans was based on the mortality rates used for the last funding valuation. These are based on plan-specific mortality analyses and include an allowance for an expected increase in future life expectancy. Other countries used their own mortality tables.

41.3 Computation of expense for the period

The following average expected return on plan assets was used to compute the expense for the period:

%	Germany	UK	Other euro zone	Switzerland	USA
1 January 2012					
Average expected return on plan assets	3.72	5.81	5.65	4.00	6.50
1 January 2011					
Average expected return on plan assets	4.15	6.25	5.69	4.25	7.00

The average expected return on plan assets was determined by reference to long-term bond yields (government and corporate). In this process, suitable risk premiums were applied on the basis of historical market returns and current market expectations taking plan asset structures into account.

41.4 Reconciliation of the present value of the defined benefit obligation, the fair value of plan assets and the pension provisions

€m	Germany	UK	Other	Total
2012				
Present value of defined benefit obligation at 31 December for wholly or partly funded benefits	8,317	4,107	1,807	**14,231**
Present value of defined benefit obligation at 31 December for unfunded benefits	291	9	217	**517**
Present value of total defined benefit obligation at 31 December	8,608	4,116	2,024	**14,748**
Fair value of plan assets at 31 December	−4,129	−3,936	−1,693	**−9,758**
Unrecognised gains (+)/losses (–)	−2,374	−388	−320	**−3,082**
Unrecognised past service cost	0	0	0	**0**
Asset adjustment for asset ceiling	0	0	0	**0**
Net pension provisions at 31 December	**2,105**	**−208**	**11**	**1,908**
Pension assets at 31 December	0	325	209	**534**
Provisions for pensions and similar obligations at 31 December	**2,105**	**117**	**220**	**2,442**
2011				
Present value of defined benefit obligation at 31 December for wholly or partly funded benefits	4,097	3,943	1,640	**9,680**
Present value of defined benefit obligation at 31 December for unfunded benefits	3,377	8	192	**3,577**
Present value of total defined benefit obligation at 31 December	7,474	3,951	1,832	**13,257**
Fair value of plan assets at 31 December	−2,106	−3,714	−1,549	**−7,369**
Unrecognised gains (+)/losses (–)	−1,272	−364	−262	**−1,898**
Unrecognised past service cost	0	0	0	**0**
Asset adjustment for asset ceiling	0	1	1	**2**
Net pension provisions at 31 December	**4,096**	**−126**	**22**	**3,992**
Pension assets at 31 December	0	266	187	**453**
Provisions for pensions and similar obligations at 31 December	**4,096**	**140**	**209**	**4,445**

41.5 Changes in the present value of the total defined benefit obligation

€m	Germany	UK	Other	Total
2012				
Present value of total defined benefit obligation at 1 January	7,474	3,951	1,832	**13,257**
Current service cost, excluding employee contributions	88	32	36	**156**
Employee contributions	9	13	15	**37**
Interest cost	357	191	74	**622**
Benefit payments	−480	−179	−80	**−739**
Past service cost	0	0	1	**1**
Curtailments	0	0	−1	**−1**
Settlements	0	0	0	**0**
Transfers	1	0	4	**5**
Acquisitions/divestitures	2	0	0	**2**
Actuarial gains (–)/losses (+)	1,157	12	145	**1,314**
Currency translation effects	0	96	−2	**94**
Present value of total defined benefit obligation at 31 December	**8,608**	**4,116**	**2,024**	**14,748**
2011				
Present value of total defined benefit obligation at 1 January	7,275	3,302	1,772	**12,349**
Current service cost, excluding employee contributions	79	28	35	**142**
Employee contributions	9	14	15	**38**
Interest cost	356	177	76	**609**
Benefit payments	−481	−168	−83	**−732**
Past service cost	13	0	−1	**12**
Curtailments	0	0	−7	**−7**
Settlements	0	−9	−11	**−20**
Transfers	0	2	0	**2**
Acquisitions/divestitures	0	3	0	**3**
Actuarial gains (–)/losses (+)	223	469	15	**707**
Currency translation effects	0	133	21	**154**
Present value of total defined benefit obligation at 31 December	**7,474**	**3,951**	**1,832**	**13,257**

41.6 Changes in the fair value of plan assets

€m	Germany	UK	Other	Total
2012				
Fair value of plan assets at 1 January	2,106	3,714	1,549	**7,369**
Employer contributions	2,122	93	43	**2,258**
Employee contributions	0	13	15	**28**
Expected return on plan assets	79	215	81	**375**
Gains (+)/losses (–) on plan assets	22	–11	78	**89**
Benefit payments	–196	–178	–71	**–445**
Transfers	–4	0	3	**–1**
Acquisitions	0	0	0	**0**
Settlements	0	0	0	**0**
Currency translation effects	0	90	–5	**85**
Fair value of plan assets at 31 December	**4,129**	**3,936**	**1,693**	**9,758**
2011				
Fair value of plan assets at 1 January	2,122	3,378	1,519	**7,019**
Employer contributions	160	85	39	**284**
Employee contributions	0	14	15	**29**
Expected return on plan assets	89	200	80	**369**
Gains (+)/losses (–) on plan assets	–65	86	–38	**–17**
Benefit payments	–202	–167	–74	**–443**
Transfers	2	2	0	**4**
Acquisitions	0	4	0	**4**
Settlements	0	–9	–11	**–20**
Currency translation effects	0	121	19	**140**
Fair value of plan assets at 31 December	**2,106**	**3,714**	**1,549**	**7,369**

The plan assets are composed of fixed-income securities (35%; previous year: 45%), equities and investment funds (16%; previous year: 18%), real estate (13%; previous year: 17%), cash and cash equivalents (25%; previous year: 6%), insurance contracts (3%; previous year: 4%) and other assets (8%; previous year: 10%). Other assets primarily comprise alternative investments.

The increase in the cash and cash equivalents component and the resulting shift in importance for the other asset classes relate to the funding, in the amount of approximately €2 billion, of plan assets in Germany in December 2012. These funds had been invested exclusively in money market funds as at the end of 2012.

77% (previous year: 79%) of the real estate has a fair value of €995 million (previous year: €1,011 million) and is owner-occupied by Deutsche Post AG.

41.7 Funded status

€m	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total
Present value of defined benefit obligations at 31 December	12,246	11,664	12,349	13,257	14,748
Fair value of plan assets at 31 December	–6,235	–6,472	–7,019	–7,369	–9,758
Funded status[1]	**6,011**	**5,192**	**5,330**	**5,888**	**4,990**

[1] The funded status is recognised until financial year 2008 with the amounts of Deutsche Postbank Group included.

41.8 Gains and losses

€m	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total
Actual return on plan assets	–632	509	475	352	464
Expected return on plan assets	415	335	374	369	375
Experience gains (+)/losses (–) on plan assets[1]	**–1,047**	**174**	**101**	**–17**	**89**

[1] The experience gains and losses on plan assets are recognised until financial year 2008 with the amounts of the Deutsche Postbank Group included.

€m	2008 Total	2009 Total	2010 Total	2011 Total	2012 Total
Experience gains (+)/losses (–) on defined benefit obligations	11	61	50	–29	121
Gains (+)/losses (–) on defined benefit obligations arising from changes in assumptions	635	–561	–455	–678	–1,435
Total actuarial gains (+)/ losses (–) on defined benefit obligations[1]	**646**	**–500**	**–405**	**–707**	**–1,314**

[1] Total actuarial gains and losses on defined benefit obligations are recognised until financial year 2008 with the amounts of the Deutsche Postbank Group included.

41.9 Changes in net pension provisions

€m	Germany	UK	Other	Total
2012				
Net pension provisions at 1 January	4,096	–126	22	**3,992**
Pension expense	399	15	37	**451**
Benefit payments	–284	–1	–9	**–294**
Employer contributions	–2,122	–93	–43	**–2,258**
Employee contributions	9	0	0	**9**
Acquisitions/divestitures	2	0	0	**2**
Transfers	5	0	1	**6**
Currency translation effects	0	–3	3	**0**
Net pension provisions at 31 December	**2,105**	**–208**	**11**	**1,908**
2011				
Net pension provisions at 1 January	4,150	–39	27	**4,138**
Pension expense	377	3	46	**426**
Benefit payments	–279	–1	–9	**–289**
Employer contributions	–160	–85	–39	**–284**
Employee contributions	9	0	0	**9**
Acquisitions/divestitures	0	–1	0	**–1**
Transfers	–1	0	0	**–1**
Currency translation effects	0	–3	–3	**–6**
Net pension provisions at 31 December	**4,096**	**–126**	**22**	**3,992**

Payments amounting to €479 million are expected with regard to net pension provisions in 2013. Of this amount, €228 million is attributable to the Group's expected direct pension payments and €251 million to expected employer contributions to pension funds.

41.10 Pension expense

€m	Germany	UK	Other	Total
2012				
Current service cost, excluding employee contributions	88	32	36	**156**
Interest cost	357	191	74	**622**
Expected return on plan assets	−79	−215	−81	**−375**
Recognised past service cost	0	0	1	**1**
Amortisation of unrealised gains (–)/losses (+)	33	7	8	**48**
Effects of curtailments	0	0	−1	**−1**
Effects of settlements	0	0	1	**1**
Effects of asset ceiling	0	0	−1	**−1**
Pension expense	**399**	**15**	**37**	**451**
2011				
Current service cost, excluding employee contributions	79	28	35	**142**
Interest cost	356	177	76	**609**
Expected return on plan assets	−89	−200	−80	**−369**
Recognised past service cost	13	0	−1	**12**
Amortisation of unrealised gains (–)/losses (+)	18	−2	24	**40**
Effects of curtailments	0	0	−6	**−6**
Effects of settlements	0	0	3	**3**
Effects of asset ceiling	0	0	−5	**−5**
Pension expense	**377**	**3**	**46**	**426**

€204 million (previous year: €186 million) of the entire pension expense was included in staff costs in 2012, and €247 million (previous year: €240 million) was included in net other finance costs.

42 Other provisions

€m	Non-current		Current		Total	
	2011	2012	2011	2012	2011	2012
Other employee benefits[1]	792	856	274	253	**1,066**	**1,109**
Restructuring provisions	603	383	328	298	**931**	**681**
Technical reserves (insurance)	398	397	190	194	**588**	**591**
Postage stamps	0	0	450	450	**450**	**450**
Tax provisions[1]	0	0	384	127	**384**	**127**
Miscellaneous provisions[1]	381	336	508	341	**889**	**677**
	2,174	**1,972**	**2,134**	**1,663**	**4,308**	**3,635**

[1] Miscellaneous provisions, other employee benefits and tax provisions were restructured. Employee-related components were reclassified from miscellaneous provisions to other employee benefits. The tax provisions previously included in miscellaneous provisions are shown separately. The prior-year figures were adjusted accordingly.

42.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Tax provisions	Miscellaneous provisions	Total
As at 1 January 2012[1]	1,066	931	588	450	384	889	**4,308**
Changes in consolidated group	0	–1	0	0	–1	–2	**–4**
Utilisation	–590	–218	–68	–450	–282	–384	**–1,992**
Currency translation differences	–5	–9	1	0	–1	–1	**–15**
Reversal	–30	–180	–30	0	–32	–124	**–396**
Unwinding of discount/changes in discount rate	37	18	24	0	0	24	**103**
Reclassification	19	0	0	0	–4	–14	**1**
Additions	612	140	76	450	63	289	**1,630**
As at 31 December 2012	**1,109**	**681**	**591**	**450**	**127**	**677**	**3,635**

[1] Miscellaneous provisions, other employee benefits and tax provisions were restructured. Employee-related components were reclassified from miscellaneous provisions to other employee benefits. The tax provisions previously included in miscellaneous provisions are shown separately. The prior-year figures were adjusted accordingly.

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement etc.).

The restructuring provisions comprise all expenses resulting from the restructuring measures within the US express business as well as in other areas of the Group. These measures relate primarily to termination benefit obligations to employees (partial retirement programmes, transitional benefits) and expenses from the closure of terminals, for example.

Technical reserves (insurance) mainly consist of outstanding loss reserves and IBNR reserves; further details can be found in Note 6.

The provision for postage stamps covers outstanding obligations to customers for letter and parcel deliveries from postage stamps sold but still unused by customers, and is based on studies by market research companies. It is measured at the nominal value of the stamps issued.

Of the tax provisions, €28 million (previous year: €264 million) relates to VAT, €6 million (previous year: €4 million) to customs and duties, and €93 million (previous year: €116 million) to other tax provisions.

42.2 Miscellaneous provisions

€m	2011	2012
Litigation costs	134	115
Risks from business activities	137	104
Aircraft maintenance	35	43
Miscellaneous other provisions	583	415
Miscellaneous provisions[1]	**889**	**677**

[1] Miscellaneous provisions were restructured. Employee-related components were reclassified from miscellaneous provisions to other employee benefits. The tax provisions previously included in miscellaneous provisions are shown separately. The prior-year figures were adjusted accordingly.

Miscellaneous other provisions include a large number of individual items.

42.3 Maturity structure

The maturity structure of the provisions recognised in financial year 2012 is as follows:

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years	Total
2012							
Other employee benefits	253	291	168	119	81	197	**1,109**
Restructuring provisions	298	260	16	13	13	81	**681**
Technical reserves (insurance)	194	168	78	48	32	71	**591**
Postage stamps	450	0	0	0	0	0	**450**
Tax provisions	127	0	0	0	0	0	**127**
Miscellaneous provisions	341	110	63	30	20	113	**677**
	1,663	**829**	**325**	**210**	**146**	**462**	**3,635**

43 Financial liabilities

€m	Non-current		Current		Total	
	2011	2012	2011	2012	2011	2012
Bonds	963	4,109	696	0	1,659	4,109
Due to banks	6	2	157	135	163	137
Finance lease liabilities	148	123	27	26	175	149
Liabilities to Group companies	65	65	37	28	102	93
Financial liabilities at fair value through profit or loss	11	8	126	109	137	117
Other financial liabilities	173	106	4,601	105	4,774	211
Financial liabilities	**1,366**	**4,413**	**5,644**	**403**	**7,010**	**4,816**

43.1 Bonds

The following table contains further details on the company's most significant bonds. The bonds issued by Deutsche Post Finance B.V. are fully guaranteed by Deutsche Post AG.

Major bonds

				2011		2012	
	Nominal coupon	Issue volume	Issuer	Carrying amount €m	Fair value €m	Carrying amount €m	Fair value €m
Bond 2002/2012	5.125%	€679 million	Deutsche Post Finance B.V.	696	698	0	0
Bond 2003/2014	4.875%	€926 million	Deutsche Post Finance B.V.	948	984	942	969
Bond 2012/2017	1.875%	€750 million	Deutsche Post Finance B.V.	–	–	744	775
Bond 2012/2022	2.950%	€500 million	Deutsche Post Finance B.V.	–	–	496	525
Bond 2012/2020	1.875%	€300 million	Deutsche Post AG	–	–	296	302
Bond 2012/2024	2.875%	€700 million	Deutsche Post AG	–	–	696	711
Convertible bond 2012/2019[1]	0.600%	€1 billion	Deutsche Post AG	–	–	920	929

[1] This relates to the debt component of the convertible bond; the equity component is recognised in capital reserves. The fair value of the listed convertible bond was €1,049 million at the balance sheet date.

Two new bonds with an aggregate principal amount of €1.25 billion were placed on the market in June 2012 under the Debt Issuance Programme (DIP). The bonds mature on 27 June 2017 and 2022, respectively.

Two more conventional bonds were issued on 11 December 2012. The two bonds mature on 11 December 2020 and 2024, respectively. The bonds were recognised at fair value, including transaction costs. In subsequent years the financial liabilities are required to be measured at amortised cost. Adjustments are made using the effective interest method.

The €1 billion convertible bond was issued on 6 December 2012. The conversion right allows holders to convert the bond into a pre-determined number of Deutsche Post AG shares. The conversion right may be exercised between 16 January 2013 and 21 November 2019. On issue, the conversion price was €20.74. In addition, Deutsche Post AG was granted a call option allowing it to repay the bond early at face value plus accrued interest. For contractual reasons, the convertible bond has to be split into a debt component and an equity component. The value of the debt component calculated under IAS 32.31 on the issue date amounted to €920 million, including transaction costs and the call option granted. In subsequent years, interest will be added to the carrying amount of the bond up to the issue amount using the effective interest method (unwinding of discount), and recognised in profit or loss.

43.2 Amounts due to banks

The reported liabilities due to banks are fully guaranteed by Deutsche Post AG.

€m	2011	2012
Amounts due to banks	163	137

The liabilities mainly comprise current overdraft facilities due to various banks.

43.3 Finance lease liabilities

Finance lease liabilities mainly relate to the following items:

	Leasing partner	Interest rate	End of term	Asset	2011 Carrying amount €m	2012 Carrying amount €m
DHL Express (US) Inc., USA	Wachovia Financial Services; Wells Fargo	6.74%	2019/2022	Sorting system software	36	34
SCM Supply Chain Management Inc., Canada	Bank of Nova Scotia	variable	2012/2013	Warehouse, office equipment	22	12
DHL Express (Austria) GmbH, Austria	Raiffeisen Impuls Immobilien GmbH	3.62%	2019	Real estate	10	11
Deutsche Post AG, Germany	T-Systems International GmbH, Germany	6.5%	2015	IT equipment	10	7
Deutsche Post Immobilien GmbH, Germany	Lorac Investment Management Sarl	6.0%	2016	Real estate	9	9

The leased assets are recognised in property, plant and equipment at carrying amounts of €280 million (previous year: €327 million). The difference between the carrying amounts of the assets and the liabilities results from longer useful lives of the assets compared with a shorter repayment period for the lease instalments and unscheduled repayments of lease obligations. The notional amount of the minimum lease payments totals €165 million (previous year: €198 million).

Maturity structure

€m	Present value (finance lease liabilities)		Minimum lease payments (notional amount)	
	2011	2012	2011	2012
Less than 1 year	27	26	35	33
More than 1 year to 5 years	70	56	77	62
More than 5 years	78	67	86	70
Total	**175**	**149**	**198**	**165**

43.4 Financial liabilities at fair value through profit or loss

The amounts reported under this item relate to the negative fair values of derivative financial instruments.

€m	2011	2012
Financial liabilities at fair value through profit or loss	137	117

43.5 Other financial liabilities

€m		2011	2012
Mandatory exchangeable bond (unwinding of discount)	Deutsche Post AG	2,926	0
Other liabilities related to the sale of Deutsche Postbank shares	Deutsche Post AG	1,418	0
Miscellaneous financial liabilities	Other Group companies	430	211
Other financial liabilities		**4,774**	**211**

The reduction in other financial liabilities is attributable to the completion of the sale of Deutsche Postbank shares. The liabilities arising from the contract were recognised under other financial liabilities in the previous year. These consisted of a mandatory exchangeable bond on 60 million Postbank shares, cash collateral for the acquisition of another 26 million Postbank shares and payments on settled hedging transactions entered into to hedge Deutsche Bank shares; ➔ Note 3.

44 Other liabilities

€m	Non-current		Current		Total	
	2011	2012	2011	2012	2011	2012
Other liabilities	347	276	4,106	4,004	**4,453**	**4,280**

44.1 Breakdown of other liabilities

€m	2011	2012
Tax liabilities	954	884
Incentive bonuses	592	577
Compensated absences	401	375
Deferred income, of which non-current: 71 (previous year: 76)	336	351
Wages, salaries, severance payments	292	287
Payables to employees and members of executive bodies	227	177
Liabilities from the sale of residential building loans, of which non-current: 149 (previous year: 221)	223	153
Debtors with credit balances	124	150
Social security liabilities	152	143
Overtime claims	102	110
COD liabilities	76	70
Other compensated absences	63	49
Insurance liabilities	9	36
Liabilities from cheques issued	21	35
Accrued rentals	27	34
Liabilities from loss compensation	17	15
Accrued insurance premiums for damages and similar liabilities	16	12
Miscellaneous other liabilities, of which non-current: 56 (previous year: 50)	821	822
	4,453	**4,280**

Of the tax liabilities, €502 million (previous year: €523 million) relates to VAT, €227 million (previous year: €280 million) to customs and duties, and €155 million (previous year: €151 million) to other tax liabilities.

The liabilities from the sale of residential building loans relate to obligations of Deutsche Post AG to pay interest subsidies to borrowers to offset the deterioration in borrowing terms in conjunction with the assignment of receivables in previous years, as well as pass-through obligations from repayments of principal and interest for residential building loans sold.

Miscellaneous other liabilities include a large number of individual items.

44.2 Maturity structure

€m	2011	2012
Less than 1 year	4,106	4,004
More than 1 year to 2 years	38	46
More than 2 years to 3 years	34	28
More than 3 years to 4 years	13	10
More than 4 years to 5 years	11	7
More than 5 years	251	185
	4,453	**4,280**

There is no significant difference between the carrying amounts and the fair values of the other liabilities due to their short maturities or market interest rates. There is no significant interest rate risk because most of these instruments bear floating rates of interest at market rates.

45 Trade payables

Trade payables also include liabilities to Group companies in the amount of €42 million (previous year: €33 million).

€m	2011	2012
Trade payables	6,168	5,991

€832 million of the trade payables (previous year: €955 million) is attributable to Deutsche Post AG. Trade payables primarily have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

46 Cash flow disclosures

The cash flow statement is prepared in accordance with IAS 7 (Statement of Cash Flows) and discloses the cash flows in order to present the source and application of cash and cash equivalents. It distinguishes between cash flows from operating, investing and financing activities. Cash and cash equivalents are composed of cash, cheques and bank balances with a maturity of not more than three months, and correspond to the cash and cash equivalents reported on the balance sheet. The effects of currency translation and changes in the consolidated group are adjusted when calculating cash and cash equivalents.

46.1 Net cash used in operating activities

Cash flows from operating activities are calculated by adjusting consolidated net profit/loss for tax expenses, net financial income/net finance costs and non-cash factors, as well as taxes paid, changes in provisions and in other non-current assets and liabilities (net cash from operating activities before changes in working capital). Adjustments for changes in working capital (excluding financial liabilities) result in net cash from or used in operating activities.

Net cash used in operating activities amounted to €203 million in financial year 2012. By contrast, a net cash inflow of €2,371 million was generated in the previous year. This difference is largely attributable to the utilisation of provisions: the funds raised on the capital market at the end of the year were used to further fund pension obligations and led to a corresponding change in pension provisions. Provisions for the additional VAT payment were also utilised.

The depreciation, amortisation and impairment losses contained in EBIT are non-cash effects and are therefore adjusted. They increased from €1,274 million to €1,339 million due to higher investments in the past. The same applies to non-cash income and expenses, which increased EBIT but did not affect cash flows. They rose from €7 million to €97 million and mainly relate to accruals that were no longer required and were released. The gains on the disposal of non-current assets of €74 million are not attributable to operating activities. They have therefore been adjusted in the net income from the disposal of non-current assets and are presented instead in the cash flows from investing activities.

The higher working capital led to a cash outflow of €422 million (previous year: cash inflow of €137 million). The change in liabilities and other items in particular made a significant contribution to this development.

Non-cash income and expense

€m	2011	2012
Expense from remeasurement of assets	91	94
Income from remeasurement of liabilities	–108	–203
Income from disposal of assets	–8	–2
Staff costs relating to Share Matching Scheme	20	19
Miscellaneous	–2	–5
Non-cash income and expense	**–7**	**–97**

46.2 Net cash used in investing activities

Cash flows from investing activities mainly result from cash received from disposals of non-current assets (divestitures) and cash paid for investments in non-current assets. Interest and dividends received from investing activities as well as cash flows from changes in current financial assets are also included.

Net cash used in investing activities amounted to €1,697 million in the year under review (previous year: €1,129 million). Divestitures of non-current assets, especially property, plant and equipment and intangible assets, led to a cash inflow of €299 million, slightly above the prior-year figure of €285 million. The sale of land and buildings that were no longer required was the main contributor to this item. Investments in non-current assets rose from €1,880 million to €2,032 million.

Whereas cash paid to acquire property, plant and equipment declined slightly by €77 million to €1,639 million, cash paid for other non-current financial assets rose by €256 million to €336 million in the year under review. The recognition of the demand for repayment of state aid in this balance sheet item reduced cash flow from investing activities by €298 million. The change in current financial assets led to a cash outflow of €10 million. This contrasts with the cash inflow of €394 million in the previous year, which was largely due to the sale of money market funds in the amount of €403 million.

The following assets were acquired and liabilities assumed as a result of company acquisitions; see also ➲ Note 2:

€m	2011	2012
Non-current assets	92	5
Current assets (excluding cash and cash equivalents)	79	19
Non-current provisions and liabilities	22	2
Current provisions and liabilities	142	8

The following table shows the calculation of free cash flow:

Calculation of free cash flow

€m	2011	2012
Net cash from/used in operating activities	**2,371**	**–203**
Sale of property, plant and equipment and intangible assets	211	225
Acquisition of property, plant and equipment and intangible assets	–1,716	–1,639
Cash outflow arising from change in property, plant and equipment and intangible assets	**–1,505**	**–1,414**
Disposals of subsidiaries and other business units	58	39
Acquisition of subsidiaries and other business units	–84	–57
Cash outflow arising from acquisitions/divestitures	**–26**	**–18**
Interest received	72	46
Interest paid	–163	–296
Net interest paid	**–91**	**–250**
Free cash flow	**749**	**–1,885**

Free cash flow is considered to be an indicator of how much cash is available to the company for dividend payments or the repayment of debt. Free cash flow declined from €749 million in the previous year to €–1,885 million in the year under review. This is primarily due to the negative cash flow from operating activities, which was exceptionally and significantly reduced by the funding of pension obligations mentioned above.

46.3 Net cash from financing activities

Financing activities led to a cash inflow of €1,199 million in the year under review, compared with a cash outflow of €1,547 million in the previous year. In particular, the conventional corporate bond and convertible bond issues resulted in proceeds of €3,176 million from the issuance of non-current financial liabilities. In addition to the continued funding of pension obligations, part of the funds raised was used to repay a bond that fell due in October 2012. This made a significant contribution to the cash outflow from repayments of non-current liabilities, in the amount of €773 million.

The dividend payment to the shareholders of Deutsche Post AG, which rose once again, by €60 million to €846 million, was the largest payment in financing activities. Proceeds from issuing shares or other equity instruments amounted to €74 million. The equity component of the convertible bond is recognised in this item. The €133 million rise in interest payments to €296 million is due in particular to the interest payments related to the additional VAT payment required by the tax authorities.

46.4 Cash and cash equivalents

The cash inflows and outflows described above produced cash and cash equivalents of €2,400 million; ➔ Note 34. This represents a year-on-year reduction of €723 million.

OTHER DISCLOSURES

47 Risks and financial instruments of the Group

47.1 Risk management

As a result of its operating activities, the Group is exposed to financial risks that may arise from changes in exchange rates, commodity prices and interest rates. Deutsche Post DHL manages these risks centrally through the use of non-derivative and derivative financial instruments. Derivatives are used exclusively to mitigate non-derivative financial risks, and fluctuations in their fair value should not be assessed separately from the underlying transaction.

The Group's internal risk guidelines govern the universe of actions, responsibilities and necessary controls regarding the use of derivatives. Financial transactions are recorded, assessed and processed using proven risk management software, which also regularly documents the effectiveness of hedging relationships. To limit counterparty risk from financial transactions, the Group may only enter into this type of contract with prime-rated banks. The conditions for the counterparty limits individually assigned to the banks are reviewed on a daily basis. The Group's Board of Management is informed internally at regular intervals about existing financial risks and the hedging instruments deployed to mitigate them. Financial instruments are accounted for and measured in accordance with IAS 39.

Liquidity management

The ultimate objective of liquidity management is to secure the solvency of Deutsche Post DHL and all Group companies. Consequently, liquidity in the Group is centralised as much as possible in cash pools and managed in the Corporate Center.

The centrally available liquidity reserves (funding availability), consisting of central short-term financial investments and committed credit lines, are the key control parameter. The target is to have at least €2 billion available in a central credit line.

The Group had central liquidity reserves of €2.7 billion (previous year: €3.8 billion) as at 31 December 2012, consisting of central financial investments amounting to €0.7 billion plus a syndicated credit line of €2 billion.

The maturity structure of non-derivative financial liabilities within the scope of IFRS 7 based on cash flows is as follows:

Maturity structure: remaining maturities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As at 31 December 2012						
Non-current financial liabilities	106	1,031	61	61	811	2,758
Other non-current liabilities	0	4	4	4	3	137
Non-current liabilities	**106**	**1,035**	**65**	**65**	**814**	**2,895**
Current financial liabilities	297	0	0	0	0	0
Trade payables	5,991	0	0	0	0	0
Other current liabilities	462	0	0	0	0	0
Current liabilities	**6,750**	**0**	**0**	**0**	**0**	**0**
As at 31 December 2011						
Non-current financial liabilities	71	184	995	21	34	198
Other non-current liabilities	0	4	4	3	3	207
Non-current liabilities	**71**	**188**	**999**	**24**	**37**	**405**
Current financial liabilities	5,582	0	0	0	0	0
Trade payables	6,168	0	0	0	0	0
Other current liabilities	317	0	0	0	0	0
Current liabilities	**12,067**	**0**	**0**	**0**	**0**	**0**

On 25 June 2012, Deutsche Post Finance B.V. placed two fixed-coupon bonds on the capital market: one with a principal amount of €750 million and a maturity of five years, and one with a principal amount of €500 million and a maturity of ten years. Part of the issue proceeds was used to repay the Deutsche Post Finance B.V. bond amounting to €679 million that fell due in October 2012. The bonds are reported in non-current financial liabilities.

Deutsche Post AG borrowed €2 billion on the capital market in December 2012 to continue funding its pension obligations. In addition to two straight bonds worth €300 million and €700 million, respectively (maturity: eight years and twelve years, respectively), a €1 billion convertible bond with a coupon of 0.60% was issued at a price of 100% in December; ➔ Note 43. €1,250 million of the issue proceeds was invested in money market funds and, in addition to a further €736 million in cash, was transferred to a Contractual Trust Arrangement (CTA) at the end of December. The newly generated plan assets, ➔ Note 41, serve solely to meet the pension commitments of Deutsche Post AG.

The mandatory exchangeable bond (zero bond) of €2,568 million plus interest that was issued in February 2009 as part of the sale of Deutsche Postbank AG shares and fully subscribed by Deutsche Bank was exercised on 27 February 2012 through the transfer of 60 million Deutsche Postbank AG shares. A further 26,417,432 Postbank shares were transferred from Deutsche Post AG to Deutsche Bank AG through the exercise of the put option on 28 February 2012. In the course of the transactions, the cash collateral of €1,161 million plus interest issued by Deutsche Bank AG in February 2009 as an advance paid on the written put option on 26,417,432 Postbank shares and payments on settled hedging transactions were offset.

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure: remaining maturities

€m	Less than 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years to 5 years	More than 5 years
As at 31 December 2012						
Derivative receivables – gross settlement						
Cash outflows	–5,210	–616	0	0	0	0
Cash inflows	5,422	663	0	0	0	0
Net settlement						
Cash inflows	13	2	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–4,922	–440	0	0	0	0
Cash inflows	4,803	430	0	0	0	0
Net settlement						
Cash outflows	–22	–3	0	0	0	0
As at 31 December 2011						
Derivative receivables – gross settlement						
Cash outflows	–1,240	–9	–2	0	0	0
Cash inflows	1,311	16	14	0	0	0
Net settlement						
Cash inflows	10	0	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–1,729	–15	–161	0	0	0
Cash inflows	1,642	9	165	0	0	0
Net settlement						
Cash outflows	–4	–2	0	0	0	0

Derivative financial instruments entail both rights and obligations. The contractual arrangement defines whether these rights and obligations can be offset against each other and therefore result in a net settlement, or whether both parties to the contract will have to perform their obligations in full (gross settlement). No cash flows were reported in the maturity bands for "More than 2 years to 3 years", "More than 3 years to 4 years", "More than 4 years to 5 years" and "More than 5 years" as at 31 December 2012, because all derivatives will mature by 2014.

CURRENCY RISK AND CURRENCY MANAGEMENT

The international business activities of Deutsche Post DHL expose it to currency risks that are split internally for risk management purposes into balance sheet currency risks and currency risks from planned future transactions.

Balance sheet currency risks arise from the measurement and settlement of items in foreign currencies that have been recognised if the exchange rate on the measurement or settlement date differs from the rate on recognition. The resulting foreign exchange differences directly impact profit or loss. In order to mitigate this impact as far as possible, all significant balance sheet currency risks within the Group are centralised at Deutsche Post AG through the in-house bank function. The centralised risks are aggregated by Corporate Treasury to calculate a net position per currency and hedged externally based on value-at-risk limits. The currency-related value at risk (95%/one-month holding period) for the portfolio concerned totalled €3 million (previous year: €4 million) at the reporting date; the limit was a maximum of €5 million.

The notional amount of the currency forwards and currency swaps used to manage balance sheet currency risks amounted to €4,370 million at the reporting date (previous year: €2,030 million); the fair value was €42 million (previous year: €–4 million). The adjustment to internal Group financing in December 2012 led to a temporary year-on-year increase in the notional hedging volume. For simplification purposes, fair value hedge accounting was not applied to the derivatives used, which are reported as trading derivatives instead.

Currency risks arise from planned foreign currency transactions if the future foreign currency transactions are settled at exchange rates that differ from the rates originally planned or calculated. These currency risks are also captured centrally in Corporate Treasury and managed on a rolling 24-month basis as part of a hedging programme. The goal is to hedge an average of up to 50% of all significant currency risks over a 24-month period. This makes it possible to plan reliably and reduce fluctuations in earnings caused by currency movements. At the reporting date, an average of approximately 35% of the foreign currency risk of the currencies concerned was hedged for the next 24 months. The relevant hedging transactions are recognised using cash flow hedge accounting; ➲ Note 47.3.

In total, currency forwards and currency swaps with a notional amount of €5,976 million (previous year: €3,317 million) were outstanding at the balance sheet date. The corresponding fair value was €51 million (previous year: €–27 million). At the end of the year there were no currency options, as in the previous year. The Group also held cross-currency swaps with a notional amount of €163 million (previous year: €173 million) and a fair value of €2 million (previous year €–6 million) to hedge long-term foreign currency financing.

Currency risks resulting from translating assets and liabilities of foreign operations into the Group's currency (translation risk) were not hedged as at 31 December 2012.

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2012 in accordance with IAS 39, €3 million (previous year: €–22 million) is expected to be recognised in income in the course of 2013.

IFRS 7 requires the disclosure of quantitative risk data showing how profit or loss and equity are affected by changes in exchange rates at the reporting date. The impact of these changes in exchange rates on the portfolio of foreign currency financial instruments is assessed by means of a value-at-risk calculation (95% confidence/one-month holding period). It is assumed that the portfolio as at the reporting date is representative for the full year. Effects of hypothetical changes in exchange rates on translation risk do not fall within the scope of IFRS 7. The following assumptions are used as a basis for the sensitivity analysis:

Primary financial instruments in foreign currencies used by Group companies were hedged by Deutsche Post AG's in-house bank, with Deutsche Post AG setting and guaranteeing monthly exchange rates. Exchange rate-related changes therefore have no effect on the profit or loss and equity of the Group companies. Where, in individual cases, Group companies are not permitted to participate in in-house banking for legal reasons, their currency risks from primary financial instruments are fully hedged locally through the use of derivatives. They therefore have no impact on the Group's risk position.

Hypothetical changes in exchange rates have an effect on the fair values of Deutsche Post AG's external derivatives that is reported in profit or loss; they also affect the foreign currency gains and losses from remeasurement at the closing date of the in-house bank balances, balances from external bank accounts as well as internal and external loans extended by Deutsche Post AG. The foreign currency value at risk of the foreign currency items concerned was €3 million at the reporting date (previous year: €4 million). In addition, hypothetical changes in exchange rates affect equity and the fair values of those derivatives used to hedge unrecognised firm commitments and highly probable forecast currency transactions, which are designated as cash flow hedges. The foreign currency value at risk of this risk position was €32 million as at 31 December 2012 (previous year: €21 million). The total foreign currency value at risk was €35 million at the reporting date (previous year: €23 million). The total amount is lower than the sum of the individual amounts given above, owing to interdependencies.

INTEREST RATE RISK AND INTEREST RATE MANAGEMENT

The fair value of interest rate hedging instruments was calculated on the basis of discounted expected future cash flows using Corporate Treasury's risk management system.

As at 31 December 2012, the Group had entered into interest rate swaps with a notional volume of €326 million (previous year: €1,005 million). The fair value of this interest rate swap position was €23 million (previous year: €48 million). As in the previous year, there were no interest rate options at the reporting date.

The Group placed further fixed-coupon bonds on the capital market in financial year 2012. As a result, the share of instruments with short-term interest lock-ins declined considerably year-on-year. The proportion of financial liabilities with short-term interest lock-ins, ➔ Note 43, amounts to 8% (previous year: 55%) as at the reporting date. The effect of potential interest rate changes on the Group's financial position thus remains insignificant.

The quantitative risk data relating to interest rate risk required by IFRS 7 is presented in the form of a sensitivity analysis. This method determines the effects of hypothetical changes in market interest rates on interest income, interest expense and equity as at the reporting date. The following assumptions are used as a basis for the sensitivity analysis:

Primary variable-rate financial instruments are subject to interest rate risk and must therefore be included in the sensitivity analysis. Primary variable-rate financial instruments that were transformed into fixed-income financial instruments using cash flow hedges are not included. Changes in market interest rates for derivative financial instruments used as a cash flow hedge affect equity by changing fair values and must therefore be included in the sensitivity analysis. Fixed-income financial instruments measured at amortised cost are not subject to interest rate risk.

Designated fair value hedges of interest rate risk are not included in the analysis because the interest-related changes in fair value of the hedged item and the hedging transaction almost fully offset each other in profit or loss for the period. Only the variable portion of the hedging instrument affects net financial income/net finance costs and must be included in the sensitivity analysis.

If the market interest rate level as at 31 December 2012 had been 100 basis points higher, net finance costs would have decreased by €2 million (previous year: increased by €8 million). A market interest rate level 100 basis points lower would have had the opposite effect. A change in the market interest rate level by 100 basis points would affect the fair values of the interest rate derivatives recognised in equity. As in the previous year, a rise in interest rates in this financial year would not have increased equity, nor would a reduction have reduced equity.

MARKET RISK

As in the previous year, most of the risks arising from commodity price fluctuations, in particular fluctuating prices for kerosene and marine diesel fuels, were passed on to customers via operating measures. However, the impact of the related fuel surcharges is delayed by one to two months, so that earnings may be affected temporarily if there are significant short-term fuel price variations.

In addition, a small number of commodity swaps for diesel and marine diesel fuel were used to control residual risks. The notional amount of these commodity swaps was €8 million (previous year: €6 million) with a fair value of €0 million (previous year: €1 million).

IFRS 7 requires the disclosure of a sensitivity analysis, presenting the effects of hypothetical commodity price changes on profit or loss and equity.

Changes in commodity prices would affect the fair value of the derivatives used to hedge highly probable forecast commodity purchases (cash flow hedges) and the hedging reserve in equity. As in the previous year, a 10% increase in the commodity prices underlying the derivatives as at the balance sheet date would have increased neither fair values nor equity. A corresponding decline in commodity prices would also have had no effect.

In the interests of simplicity, some of the commodity price hedges were not recognised using cash flow hedge accounting. For the derivatives in question, commodity price changes would affect both the fair values of the derivatives and the income statement. If the underlying commodity prices had been 10% higher at the reporting date, this would have increased the fair values in question and, consequently, operating profit by €0 million (previous year: €0 million). Nor would a corresponding decline in the commodity prices have had any impact.

CREDIT RISK

The credit risk incurred by the Group is the risk that counterparties fail to meet their obligations arising from operating activities and from financial transactions. To minimise credit risk from financial transactions, the Group only enters into transactions with prime-rated counterparties. The Group's heterogeneous customer structure means that there is no risk concentration. Each counterparty is assigned an individual limit, the utilisation of which is regularly monitored. A test is performed at the balance sheet dates to establish whether an impairment loss needs to be charged on the positive fair values due to the individual counterparties' credit quality. This was not the case for any of the counterparties as at 31 December 2012.

Default risks are continuously monitored in the operating business. The aggregate carrying amounts of financial assets represent the maximum default risk. Trade receivables amounting to €6,418 million (previous year: €6,426 million) are due within one year. The following table gives an overview of receivables that are past due:

€m			Past due and not impaired at the reporting date						
	Carrying amount before impairment loss	Neither impaired nor due at the reporting date	Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	121 to 150 days	151 to 180 days	>180 days
As at 31 December 2012									
Trade receivables	6,634	4,497	764	647	258	103	44	26	23
As at 31 December 2011									
Trade receivables	6,655	4,509	746	680	261	114	50	38	28

Trade receivables changed as follows:

€m	2011	2012
Gross receivables		
As at 1 January	6,242	6,655
Changes	413	−21
As at 31 December	**6,655**	**6,634**
Valuation allowances		
As at 1 January	−231	−229
Changes	2	13
As at 31 December	**−229**	**−216**
Carrying amount as at 31 December	**6,426**	**6,418**

All other financial instruments are neither past due nor impaired. The heterogeneous structure of the counterparties prevents risk concentration.

Impairment losses of €45 million (previous year: €44 million) were recognised for other assets.

47.2 Collateral

€549 million (previous year: €189 million) of collateral is recognised in non-current financial assets as at the balance sheet date. Of this amount, €298 million relates to the restricted cash transferred to a blocked account with Commerzbank AG for any payments that may be required due to the EU state aid proceedings, ➔ Note 3, €120 million primarily to liabilities in conjunction with the settlement of Deutsche Post AG's residential building loans, and €67 million to sureties paid.

Collateral of €49 million is recognised in current financial assets (previous year: €170 million). The majority of this concerns collateral deposited for QTE leases.

In addition to collateral for QTE leases, the collateral reported in 2011 consisted largely of collateral relating to the sale of the Deutsche Postbank AG shares held by Deutsche Post AG. Deutsche Post AG was required to deposit payments from hedging transactions that had already been settled as collateral with Deutsche Bank AG. The collateral deposited was released when the mandatory exchangeable bond was exercised in February 2012.

47.3 Derivative financial instruments

The following table gives an overview of the recognised derivative financial instruments used in the Group and their fair values. Derivatives with amortising notional volumes are reported in the full amount at maturity.

Derivative financial instruments

€m							Fair values in 2012, by maturity											
	2011		2012				Assets						Liabilities					
	Notional amount	Fair value	Notional amount	Fair value of assets	Fair value of liabilities	Total fair value	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	>5 years	Less than 1 year	Up to 2 years	Up to 3 years	Up to 4 years	Up to 5 years	>5 years
Interest rate products																		
Interest rate swaps	1,005	48	326	23	0	23	0	23	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	163	16	163	13	0	13	0	13	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	842	32	163	10	0	10	0	10	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	1,005	**48**	**326**	**23**	**0**	**23**	**0**	**23**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Currency transactions																		
Currency forwards	1,483	–24	2,918	47	–43	4	36	11	0	0	0	0	–38	–5	0	0	0	0
of which cash flow hedges	1,045	–22	1,442	32	–23	9	21	11	0	0	0	0	–18	–5	0	0	0	0
of which net investment hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	438	–2	1,476	15	–20	–5	15	0	0	0	0	0	–20	0	0	0	0	0
Currency options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Currency swaps	1,834	–3	3,058	72	–25	47	72	0	0	0	0	0	–25	0	0	0	0	0
of which cash flow hedges	242	–1	164	3	–3	0	3	0	0	0	0	0	–3	0	0	0	0	0
of which held for trading	1,592	–2	2,894	69	–22	47	69	0	0	0	0	0	–22	0	0	0	0	0
Cross-currency swaps	173	–6	163	2	0	2	0	2	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	163	–4	163	2	0	2	0	2	0	0	0	0	0	0	0	0	0	0
of which fair value hedges	10	–2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	3,490	**–33**	**6,139**	**121**	**–68**	**53**	**108**	**13**	**0**	**0**	**0**	**0**	**–63**	**–5**	**0**	**0**	**0**	**0**
Commodity price transactions																		
Commodity price swaps	6	1	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which cash flow hedges	6	1	3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity price transactions																		
Equity forwards	2,946	1,493	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	2,946	1,493	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity options	2,596	665	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
of which held for trading	2,596	665	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5,542	**2,158**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

The forward and the put and call options on the shares of Deutsche Postbank AG were recognised in the equity price transactions item in the previous year. The options were exercised in February 2012.

In addition to those shown in the table, there are other derivatives with a fair value of €–49 million (previous year: €–50 million) that are the result of M & A transactions.

FAIR VALUE HEDGES

Interest rate swaps were used to hedge the fair value risk of fixed-interest euro-denominated liabilities. The fair values of these interest rate swaps amount to €10 million (previous year: €32 million). As at 31 December 2012, there was also a €7 million (previous year: €13 million) adjustment to the carrying amount of the underlying hedged item arising from an interest rate swap unwound in the past. The adjustment to the carrying amount is amortised over the remaining term of the liability using the effective interest method, and reduces future interest expense.

The cross-currency swaps existing at 31 December 2011 (fair value in previous year: €–2 million) expired in 2012, as planned.

The following table gives an overview of the gains and losses arising from the hedged items and the respective hedging transactions:

Ineffective portion of fair value hedges

€m	2011	2012
Gains (+) on hedged items	19	1
Losses (–) on hedging transactions	–21	–1
Balance (ineffective portion)	–2	**0**

CASH FLOW HEDGES

The Group uses currency forwards and swaps to hedge the cash flow risks from future foreign currency operating revenue and expenses. The fair values of currency forwards and swaps amounted to €–10 million at the reporting date (previous year: €–26 million). The hedged items will affect cash flow until 2014.

Currency forwards with a fair value of €0 million (previous year: €–3 million) as at the reporting date were entered into to hedge the currency risk of future lease payments denominated in foreign currencies. The payments for the hedged items are made in instalments, with the final payment due in 2013.

Risks arising from fixed-interest foreign currency investments were hedged using synthetic cross-currency swaps, with the investments being transformed into fixed-interest euro investments. These synthetic cross-currency swaps hedge the currency risk, and their fair values at the reporting date amounted to €15 million (previous year: €12 million).

The risks from the purchase of diesel and marine diesel fuels, which cannot be passed on to customers, were hedged using commodity swaps that will affect cash flow in 2013. The fair value of these cash flow hedges amounted to €0 million as at year-end (previous year: €1 million).

47.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments equivalent to the respective balance sheet items. The following table reconciles the classes to the categories given in IAS 39 and the respective fair values:

Reconciliation of carrying amounts in the balance sheet as at 31 December 2012

€m

	Carrying amount	Carrying amount by measurement category in accordance with IAS 39		
		Financial assets and liabilities at fair value through profit or loss		Available-for-sale financial assets
		Trading	Fair value option	
ASSETS				
Non-current financial assets	1,039			
at cost	866	0	0	104
at fair value	173	0	79	58
Other non-current assets	633			
outside IFRS 7	633	0	0	0
Receivables and other current assets	9,112			
at cost	7,852	0	0	0
outside IFRS 7	1,260	0	0	0
Current financial assets	252			
at cost	119	0	0	0
at fair value	133	85	0	24
Cash and cash equivalents	2,400	0	0	0
Total ASSETS	**13,436**	**85**	**79**	**186**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,413			
at cost	4,405	0	0	0
at fair value	8	3	0	0
Other non-current liabilities	276			
at cost	149	0	0	0
outside IFRS 7	127	0	0	0
Current financial liabilities	403			
at cost	294	0	0	0
at fair value	109	88	0	0
Trade payables	5,991	0	0	0
Other current liabilities	4,004			
at cost	398	0	0	0
outside IFRS 7	3,606	0	0	0
Total EQUITY AND LIABILITIES	**15,087**	**91**	**0**	**0**

[1] A portion of the bond issued by Deutsche Post Finance B.V. with a principal amount of €926 million and included in non-current financial liabilities was designated as a hedged item in a fair value hedge and is thus subject to a basis adjustment. The bond is therefore recognised neither at full fair value nor at amortised cost. Non-current financial liabilities also include the convertible bond issued by Deutsche Post AG in December 2012. The listed bond had a fair value of €1,049 million at the balance sheet date. A fair value of €929 million was reported for the debt component at the balance sheet date.

				Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
	Loans and receivables/ other financial liabilities	Held-to-maturity assets	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
	737	0	0	25	866
	0	0	36	0	173
	0	0	0	0	0
	7,852	0	0	0	7,852
	0	0	0	0	0
	77	0	0	42	119
	0	0	24	0	133
	2,400	0	0	0	2,400
	11,066	**0**	**60**	**67**	**–**
	4,282	0	0	123	4,405
	0	0	5	0	8
	149	0	0	0	149
	0	0	0	0	0
	268	0	0	26	294
	0	0	21	0	109
	5,991	0	0	0	5,991
	398	0	0	0	398
	0	0	0	0	0
	11,088	**0**	**26**	**149**	**–**

Reconciliation of carrying amounts in the balance sheet as at 31 December 2011

€m

	Carrying amount	Carrying amount by measurement category in accordance with IAS 39		
		Financial assets and liabilities at fair value through profit or loss		Available-for-sale financial assets
		Trading	Fair value option	
ASSETS				
Non-current financial assets	729			
at cost	566	0	0	103
at fair value	163	0	68	69
Other non-current assets	570			
outside IFRS 7	570	0	0	0
Receivables and other current assets	9,089			
at cost	7,685	0	0	0
outside IFRS 7	1,404	0	0	0
Current financial assets	2,498			
at cost	256	0	0	0
at fair value	2,242	2,191	0	8
Cash and cash equivalents	3,123	0	0	0
Total ASSETS	**16,009**	**2,191**	**68**	**180**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	1,366			
at cost	1,355	0	0	0
at fair value	11	6	0	0
Other non-current liabilities	347			
at cost	221	0	0	0
outside IFRS 7	126	0	0	0
Current financial liabilities	5,644			
at cost	5,518	0	0	0
at fair value	126	82	0	0
Trade payables	6,168	0	0	0
Other current liabilities	4,106			
at cost	317	0	0	0
outside IFRS 7	3,789	0	0	0
Total EQUITY AND LIABILITIES	**17,631**	**88**	**0**	**0**

[1] Some of the bonds included in financial liabilities were designated as a hedged item in a fair value hedge and are thus subject to a basis adjustment. They are therefore recognised neither at full fair value nor at amortised cost.

No assets were reclassified in financial years 2012 and 2011.

				Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
	Loans and receivables/ other financial liabilities	Held-to-maturity assets	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
	428	0	0	35	566
	0	0	26	0	163
	0	0	0	0	0
	7,685	0	0	0	7,685
	0	0	0	0	0
	215	0	0	41	256
	0	0	43	0	2,242
	3,123	0	0	0	3,123
	11,451	**0**	**69**	**76**	**–**
	1,207	0	0	148	1,355
	0	0	5	0	11
	221	0	0	0	221
	0	0	0	0	0
	5,491	0	0	27	5,518
	0	0	44	0	126
	6,168	0	0	0	6,168
	317	0	0	0	317
	0	0	0	0	0
	13,404	**0**	**49**	**175**	**–**

If there is an active market for a financial instrument (e.g., stock exchange), the fair value is determined by reference to the market or quoted exchange price at the balance sheet date. If no fair value is available in an active market, the quoted prices in an active market for similar instruments or recognised valuation techniques are used to determine the fair value. The valuation techniques used incorporate the key factors determining the fair value of the financial instruments using valuation parameters that are derived from the market conditions as at the balance sheet date. Counterparty risk is analysed on the basis of the current credit default swaps signed by the counterparties. The fair values of other non-current receivables and held-to-maturity financial investments with remaining maturities of more than one year correspond to the present values of the payments related to the assets, taking into account current interest rate parameters.

Cash and cash equivalents, trade receivables and other receivables have predominantly short remaining maturities. As a result, their carrying amounts as at the reporting date are approximately equivalent to their fair values. Trade payables and other liabilities generally have short remaining maturities; the recognised amounts approximately represent their fair values.

Available-for-sale financial assets include shares in partnerships and corporations in the amount of €104 million (previous year: €103 million). There is no active market for these instruments. As no future cash flows can be reliably determined, the fair values cannot be determined using valuation techniques. The shares of these entities are recognised at cost. There are no plans to sell or derecognise significant shares of the available-for-sale financial assets recognised as at 31 December 2012 in the near future. As in the previous year, no significant shares measured at cost were sold in the financial year. Available-for-sale financial assets measured at fair value relate to equity and debt instruments.

Financial assets at fair value through profit or loss include securities to which the fair value option was applied, in order to avoid accounting inconsistencies. There is an active market for these assets, which are recognised at fair value.

The following table presents the methods used to determine the fair value for each class:

Financial assets and liabilities, 2012

€m

Level	1	2	3
Class	Quoted market prices	Measurement using key inputs based on observable market data	Measurement using key inputs not based on observable market data
Non-current financial assets at fair value	137	36	0
Current financial assets at fair value	24	109	0
Non-current financial liabilities at fair value	0	5	3
Current financial liabilities at fair value	0	63	46

The fair value of currency forwards was measured on the basis of discounted expected future cash flows, taking forward rates on the foreign exchange market into account. The currency options were measured using the Black-Scholes option pricing model.

Level 2 includes commodity, interest rate and currency derivatives. Level 3 mainly comprises options entered into in connection with intercompany transactions. These options are measured using recognised valuation models, taking plausible assumptions into account; measurement depends largely on financial ratios. Gains of €5 million from the change in fair value impacted net finance costs in 2012; Note 17.

Financial assets and liabilities, 2011

€m

Level	1	2	3
Class	Quoted market prices	Measurement using key inputs based on observable market data	Measurement using key inputs not based on observable market data
Non-current financial assets at fair value	137	26	0
Current financial assets at fair value	8	2,234	0
Non-current financial liabilities at fair value	0	5	6
Current financial liabilities at fair value	0	82	44

The net gains and losses on financial instruments classified in accordance with the individual measurement categories in IAS 39 are as follows:

Net gains and losses by measurement category

€m	2011	2012
Loans and receivables	−94	−111
Financial assets and liabilities at fair value through profit or loss		
Trading	231	−337
Fair value option	−1	0
Other financial liabilities	1	2

The net gains and losses mainly include the effects of the fair value measurement, impairment and disposals (disposal gains/losses) of financial instruments. In financial years 2012 and 2011, the measurement of the forward and the options entered into to transfer the remaining Postbank shares had a material effect on net gains and losses. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. Disclosures on net gains or losses on available-for-sale financial assets can be found in Note 37. Income and expenses from interest and commission agreements of the financial instruments not measured at fair value through profit or loss are explained in the income statement disclosures.

48 Contingent liabilities

The Group's contingent liabilities total €1,135 million (previous year: €2,767 million). €22 million of the contingent liabilities relates to guarantee obligations (previous year: €24 million), €103 million to warranties (previous year: €119 million) and €130 million to liabilities from litigation risks (previous year: €125 million). The other contingent liabilities declined by €1,619 million, from €2,499 million in the previous year to €880 million. Following the additional VAT payment of €482 million, Note 3, this tax item was no longer recognised as a contingent liability. In addition, as more information was available, the existing obligation from a formal state aid investigation was reassessed and the amount of the obligation was reduced.

49 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €6,325 million (previous year: €6,625 million) from non-cancellable operating leases as defined by IAS 17.

The Group's future non-cancellable payment obligations under leases are attributable to the following asset classes:

Lease obligations

€m	2011	2012
Land and buildings	5,294	5,100
Aircraft	765	647
Transport equipment	443	450
Technical equipment and machinery	80	65
Other equipment, operating and office equipment	31	48
IT equipment	12	15
Lease obligations	**6,625**	**6,325**

The decrease in lease obligations by €300 million to €6,325 million is a consequence of the reduction in the remaining terms of legacy agreements, especially for real estate and aircraft which, in the main, are not matched by the same volume of new leases.

Maturity structure of minimum lease payments

€m	2011	2012
Less than 1 year	1,479	1,504
More than 1 year to 2 years	1,100	1,107
More than 2 years to 3 years	867	837
More than 3 years to 4 years	668	642
More than 4 years to 5 years	526	500
More than 5 years	1,985	1,735
	6,625	**6,325**

The present value of discounted minimum lease payments is €5,156 million (previous year: €5,003 million), based on a discount factor of 4.75% (previous year: 6.50%). Overall, rental and lease payments amounted to €2,529 million (previous year: €2,364 million), of which €1,730 million (previous year: €1,640 million) relates to non-cancellable leases. €2,255 million (previous year: €2,526 million) of future lease obligations from non-cancellable leases is primarily attributable to Deutsche Post Immobilien GmbH.

The purchase obligation for investments in non-current assets amounts to €125 million (previous year: €90 million).

50 Litigation

A large number of the services rendered by Deutsche Post AG and its subsidiaries are subject to sector-specific regulation by the *Bundesnetzagentur* (German federal network agency) pursuant to the *Postgesetz* (German Postal Act). The *Bundesnetzagentur* approves or reviews prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse. This general regulatory risk could lead to a decline in revenue and earnings in the event of negative decisions.

Legal risks arise, amongst other things, from appeals by an association and a competitor against the price approvals under the price cap procedure for 2003, 2004 and 2005, and by the association against the price approval under the price cap procedure for 2008. Although the appeals by the association against price approvals for the years 2003 to 2005 were finally dismissed by the Münster Higher Administrative Court, they are now, however, being continued in the Münster Higher Administrative Court, as the court of second instance, due to a successful constitutional complaint.

Legal risks also result from appeals by Deutsche Post AG against other price approvals granted by the regulatory authority.

Deutsche Post AG increased its discounts for downstream access on 1 July 2010. Deutsche Post competitors and their associations filed complaints against these discount increases with the *Bundesnetzagentur*. They claim that the increased discounts conflict, in particular, with regulatory requirements. However, the *Bundesnetzagentur* discontinued its review proceedings by way of a notification of 15 September 2010 after having found no violation of the applicable regulations. In October 2011, several competitors of Deutsche Post AG brought an action in the Cologne Administrative Court against the *Bundesnetzagentur* with the aim of reversing the discount increases. Deutsche Post AG considers its charges for downstream access and the discount increases to be in compliance with the regulatory and other legal requirements. However, no assurance can be given that the courts will not come to a different conclusion that would have negative effects on Deutsche Post AG's revenue and earnings.

In its decision dated 14 June 2011, the *Bundesnetzagentur* concluded that First Mail Düsseldorf GmbH, a subsidiary of Deutsche Post AG, and Deutsche Post AG had contravened the discounting and discrimination prohibitions under the *Postgesetz*. The companies were instructed to remedy the breaches that had been identified. Both companies appealed against the ruling to the Cologne Administrative Court. Furthermore, First Mail Düsseldorf GmbH filed an application to suspend the execution of the ruling until a decision was reached in the principal proceedings. The Cologne Administrative Court and the Münster Higher Administrative Court both dismissed this application. First Mail Düsseldorf GmbH discontinued its mail delivery operations at the end of 2011 and retracted its appeal on 19 December 2011. Deutsche Post AG continues to pursue its appeal against the *Bundesnetzagentur* ruling.

In its ruling of 30 April 2012, the *Bundesnetzagentur* determined that Deutsche Post AG had contravened the discrimination provisions under the *Postgesetz* by charging different fees for the transport of identical invoices and invoices containing different amounts. Deutsche Post AG was requested to discontinue the discrimination determined immediately, but no later than 31 December 2012. Deutsche Post does not share the legal opinion of the *Bundesnetzagentur* and appealed the ruling to the Cologne Administrative Court.

The European Commission's state aid ruling of 25 January 2012 concluded the formal investigation that it had initiated on 12 September 2007. The investigation focused on whether the Federal Republic of Germany, using state resources, overcompensated Deutsche Post AG or its legal predecessor Deutsche Bundespost POSTDIENST for the cost of providing universal services between 1989 and 2007 and whether the company was thereby granted state aid incompatible with EU law. According to the decision opening the investigation, the Commission intended to examine all public transfers, public guarantees, statutorily granted exclusive rights, the price regulation of letter services and the public funding of civil servants' pensions during the period in question. Also to be investigated was the cost allocation within Deutsche Post AG and its predecessor between the regulated letter service, the universal service and competitive services. This also relates to co-operation agreements between Deutsche Post AG and Deutsche Postbank AG as well as between Deutsche Post AG and the business parcel service marketed by DHL Vertriebs GmbH. The *Monopolkommission* (German Monopoly Commission) had also previously alleged that Deutsche Post AG permits Deutsche Postbank AG to use its retail outlets at below-market rates, and that in so doing it contravenes the prohibition on state aid enshrined in the EC Treaty. The European Commission extended its official state aid proceedings on 10 May 2011. The extension concerned the funding arrangements for civil servants' pensions, which were to be examined more closely, including the pension obligations factored into the price approval process.

In its state aid ruling of 25 January 2012, the European Commission concluded that Deutsche Post AG and its predecessor, Deutsche Bundespost POSTDIENST, did not receive any excessive state funding for the universal services provided in the years 1989 to 2007 and that therefore no incompatible state aid was granted. Equally, the European Commission found no evidence of illegal state aid with respect to the guarantees issued by the German state. It also did not find fault with the co-operation agreements between Deutsche Post AG and Deutsche Postbank AG, and between Deutsche Post AG and DHL Vertriebs GmbH. The European Commission did not revisit the 1999 sale of shares of Deutsche Postbank AG to Deutsche Post AG in its ruling. However, in its review of the funding of civil servants' pensions, the European Commission concluded that Deutsche Post AG had received illegal state aid in this area. It said that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG having to pay lower social security contributions for civil servants than its competitors pay for salaried employees. According to the Commission, this benefit represents illegal state aid that must be repaid by Deutsche Post AG to the Federal Republic of Germany. The precise amount has to be calculated by the Federal Republic. In a press release, the European Commission had referred to an amount of between €500 million and €1 billion. Deutsche Post AG is of the opinion that the European Commission's state aid decision cannot withstand legal review and submitted an appeal to the European Court of Justice in Luxembourg. The Federal Republic of Germany likewise appealed the decision.

To implement the state aid ruling, the federal government on 29 May 2012 called upon Deutsche Post AG to make a payment of €298 million including interest. Deutsche Post AG paid this amount to a trustee on 1 June 2012 and appealed the recovery order. The payment made was reported solely in the balance sheet under non-current assets, the earnings position remained unaffected.

The European Commission has thus far not expressed its final acceptance of the calculation of the state aid to be repaid. It cannot be ruled out that Deutsche Post AG will be required to make a higher payment.

On 5 November 2012, the *Bundeskartellamt* (German federal cartel office) initiated proceedings against Deutsche Post AG based on suspicion of abusive behaviour with respect to agreements on mail transport with major customers. Based upon information from Deutsche Post AG's competitors, the authorities initially suspected that the company had violated the provisions of German and European antitrust law. Deutsche Post AG does not share this opinion. However, should the authorities find their suspicions confirmed, they may require Deutsche Post AG to refrain from certain acts, or impose fines.

In October 2007 DHL Global Forwarding, along with all other major players in the freight forwarding industry, received a request for information from the Competition Directorate of the European Commission, a subpoena from the United States Department of Justice's Antitrust Division and requests for information from competition authorities in other jurisdictions in connection with a formal investigation into the setting of surcharges and fees in the international freight forwarding industry. In the US investigation and the European investigation, the authorities confirmed the amnesty for DHL based on its early co-operation with the authorities; no fine was imposed against Deutsche Post DHL. In January 2008, an antitrust class action was initiated in the New York District Court on behalf of purchasers of freight forwarding services in which Deutsche Post AG and DHL are named as defendants. Deutsche Post DHL is not able to comment on the outcome of the remaining investigations in other jurisdictions or the prospects of the class action, but believes its financial exposure in relation to both is limited.

51 Share-based payment

Share-based payment for executives (Share Matching Scheme)

The new system to grant variable remuneration components for some of the Group's executives introduced in 2009, which is accounted for as an equity-settled share-based payment transaction in accordance with IFRS 2, was extended to include other groups of Group executives in 2010. Under this system, certain executives receive part of their variable remuneration for the financial year in the form of shares of Deutsche Post AG in the following year (incentive shares); all Group executives can specify an increased equity component individually by converting a further portion of their variable remuneration for the financial year (investment shares). If certain conditions are met, the executive will again be awarded the same number of Deutsche Post AG shares four years later (matching shares).

Share Matching Scheme

		2009 tranche	2010 tranche	2011 tranche	2012 tranche
Grant date		1 Nov. 2009	1 Jan. 2010	1 Jan. 2011	1 Jan. 2012
Term	months	53	63	63	63
End of term		March 2014	March 2015	March 2016	March 2017
Share price at grant date	€	11.48	13.98	12.90	12.13
Number of incentive shares	in thousands	430	638	659	549
Number of matching shares expected	in thousands	762	1,674	1,704	1,503

In the consolidated financial statements as at 31 December 2012, €34 million (previous year: €33 million) was recognised in equity for the granting of variable remuneration components; Note 37.1.

Stock Appreciation Rights (SAR) Plan for executives

Since 3 July 2006, selected executives have received annual tranches of SARs under the Long-Term Incentive Plan. This allows them to receive a cash payment within a defined period in the amount of the difference between the respective price of Deutsche Post shares and the fixed issue price if demanding performance targets are met. All SARs under the 2006 and 2007 tranches expired at the end of the respective waiting periods, since the performance targets were not met. After the expiry of the waiting period for the 2008 tranche on 30 June 2011, two-sixths of the SARs granted became exercisable. However, they could not be exercised so far because the share price has not yet exceeded the issue price of €18.40. The exercise period for these SARs will end on 30 June 2013. Since the waiting period was extended from three to four years in 2009, no waiting period was completed for any of the tranches in 2012.

Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management

Since 1 July 2006, the members of the Board of Management receive SARs under the 2006 Long-Term Incentive Plan. Each SAR under the 2006 LTIP entitles the holder to receive a cash settlement equal to the difference between the average closing price of Deutsche Post shares during the last five trading days before the exercise date and the issue price of the SAR.

The members of the Board of Management each invested 10% of their fixed annual remuneration (annual base salary) as a personal financial investment in 2012. The number of SARs issued to the members of the Board of Management is determined by the Supervisory Board. Following a four-year waiting period that begins on the issue date, the SARs granted can be fully or partly exercised within a period of two years provided an absolute or relative performance target is achieved at the end of the waiting period. Any SARs not exercised during this two-year period will expire. To determine how many – if any – of the granted SARs can be exercised, the average share price or the average index is compared for the reference period and the performance period. The reference period comprises the last 20 consecutive trading days before the issue date. The performance period is the last 60 trading days before the end of the waiting period. The average (closing) price is calculated as the average closing price of Deutsche Post shares in Deutsche Börse AG's Xetra trading system.

The absolute performance target is met if the closing price of Deutsche Post shares is at least 10, 15, 20 or 25% above the issue price. The relative performance target is tied to the performance of the shares in relation to the STOXX Europe 600 Index (SXXP, ISIN EU0009658202). It is met if the share price equals the index performance or if it outperforms the index by at least 10%.

A maximum of four out of every six SARs can be "earned" via the absolute performance target, and a maximum of two via the relative performance target. If neither an absolute nor a relative performance target is met by the end of the waiting period, the SARs attributable to the related tranche will expire without replacement or compensation. More details on the 2006 LTIP tranches are shown in the following table:

2006 LTIP

SARs	2008 tranche	2009 tranche	2010 tranche	2011 tranche	2012 tranche
Issue date	1 July 2008	1 July 2009	1 July 2010	1 July 2011	1 July 2012
Issue price in €	18.40	9.52	12.27	12.67	13.26
Waiting period expires	30 June 2011	30 June 2013	30 June 2014	30 June 2015	30 June 2016

The fair value of the SAR Plan and the Long-Term Incentive Plan (2006 LTIP) was determined using a stochastic simulation model. As a result, an expense of €143 million was recognised for financial year 2012 (previous year: €24 million).

See Note 52.2 for further disclosures on share-based payment for members of the Board of Management. A provision for the 2006 LTIP and the SAR Plan was recognised as at the balance sheet date in the amount of €203 million (previous year: €61 million), of which €25 million was attributable to the Board of Management.

52 Related party disclosures

52.1 Related party disclosures (companies and Federal Republic of Germany)

All companies classified as related parties that are controlled by the Group or on which the Group can exercise significant influence are recorded in the list of shareholdings, which can be accessed on the website, www.dp-dhl.com/en/investors.html, together with information on the equity interest held, their equity and their net profit or loss for the period, broken down by geographical areas.

Deutsche Post AG maintains a variety of relationships with the Federal Republic of Germany and other companies controlled by the Federal Republic of Germany.

The federal government is a customer of Deutsche Post AG and as such uses the company's services. Deutsche Post AG has direct business relationships with the individual public authorities and other government agencies as independent individual customers. The services provided for these customers are insignificant in respect of Deutsche Post AG's overall revenue.

RELATIONSHIPS WITH KFW BANKENGRUPPE

KfW Bankengruppe (KfW) supports the federal government in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the federal government, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the federal government sells all or part of its investments to KfW with the aim of fully privatising these state-owned companies. On this basis, KfW has purchased shares of Deutsche Post AG from the federal government in several stages since 1997 and executed various capital market transactions using these shares. KfW placed a 5% package of Deutsche Post AG shares on the market at the beginning of September 2012, reducing its interest in Deutsche Post AG's share capital. KfW's current interest in Deutsche Post AG's share capital is 25.5%. Deutsche Post AG is thus considered to be an associate of the federal government.

Relationships with the Bundesanstalt für Post und Telekommunikation

The Bundesanstalt für Post und Telekommunikation (BAnstPT) is a government agency and falls under the technical and legal supervision of the German Federal Ministry of Finance. Under the *Bundesanstalt-Reorganisationsgesetz* (German Federal Agency Reorganisation Act), which entered into force on 1 December 2005, the Federal Republic of Germany directly undertakes the tasks relating to holdings in Deutsche Bundespost successor companies through the Federal Ministry of Finance. It is therefore no longer necessary for the BAnstPT to perform the "tasks associated with ownership". The BAnstPT manages the social facilities such as the Postal Civil Service Health Insurance Fund, the recreation programme, the *Versorgungsanstalt der Deutschen Bundespost* (VAP) and the welfare service for Deutsche Post AG, Deutsche Postbank AG and Deutsche Telekom AG, as well as setting the objectives for social housing. The tasks are performed on the basis of agency agreements. In 2012, Deutsche Post AG was invoiced for €70 million (previous year: €70 million) in instalment payments relating to services provided by the BAnstPT.

Relationships with the German Federal Ministry of Finance

In financial year 2001, the German Federal Ministry of Finance and Deutsche Post AG entered into an agreement that governs the terms and conditions of the transfer of income received by Deutsche Post AG from the levying of the settlement payment under the *Gesetze über den Abbau der Fehlsubventionierung im Wohnungswesen* (German Acts on the Reduction of Misdirected Housing Subsidies) relating to housing benefits granted by Deutsche Post AG. Deutsche Post AG transfers the amounts to the federal government on a monthly basis.

Deutsche Post AG also entered into an agreement with the Federal Ministry of Finance dated 30 January 2004 relating to the transfer of civil servants to German federal authorities. Under this agreement, civil servants are seconded with the aim of transferring them initially for six months, and are then transferred permanently if they successfully complete their probation. Once a permanent transfer is completed, Deutsche Post AG contributes to the cost incurred by the federal government by paying a flat fee. In 2012, this initiative resulted in eleven permanent transfers (previous year: 15) and 16 secondments with the aim of a permanent transfer in 2013 (previous year: ten).

Relationships with the German Federal Employment Agency

Deutsche Post AG and the German Federal Employment Agency entered into an agreement dated 12 October 2009 relating to the transfer of Deutsche Post AG civil servants to the Federal Employment Agency. In 2012, this initiative resulted in no permanent transfers.

Relationships with Deutsche Telekom AG and its subsidiaries

The federal government holds around 32% of the shares of Deutsche Telekom AG directly and indirectly (via KfW Bankengruppe). A control relationship exists between Deutsche Telekom and the federal government because the federal government, despite its non-controlling interest, has a secure majority at the Annual General Meeting due to its average presence there. Deutsche Telekom is therefore a related party of Deutsche Post AG. In financial year 2012, Deutsche Post DHL provided goods and services (mainly transport services for letters and parcels) for Deutsche Telekom AG and purchased goods and services (such as IT products) from Deutsche Telekom.

Relationships with Deutsche Bahn AG and its subsidiaries

Deutsche Bahn AG is wholly owned by the German government. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

Bundes-Pensions-Service für Post und Telekommunikation e.V.

Information on the Bundes-Pensions-Service für Post- und Telekommunikation e.V. (BPS-PT) can be found in Note 6.

Relationship with pension funds

The real estate with a fair value of €995 million (previous year: €1,011 million), of which Deutsche Post Betriebsrenten Service e.V. (DPRS) and/or Deutsche Post Pensions-Treuhand GmbH & Co. KG, Deutsche Post Betriebsrenten-Service e.V. & Co. Objekt Gronau KG and Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH Objekt Leipzig KG are the legal or beneficial owners, is exclusively let to Deutsche Post Immobilien GmbH. Rental expense for Deutsche Post Immobilien GmbH amounted to €65 million in 2012 (previous year: €64 million). The rent was always paid on time. Deutsche Post Pensions-Treuhand GmbH & Co. KG owns 100% of Deutsche Post Pensionsfonds AG, which was established at the end of 2009. No receivables or liabilities were due as at 31 December 2012. There were no sales relationships between external funds and a Group company of Deutsche Post AG in 2012.

RELATIONSHIPS WITH UNCONSOLIDATED COMPANIES, ASSOCIATES AND JOINT VENTURES

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with unconsolidated companies, associates and joint ventures deemed to be related parties of the Group in the course of its ordinary business activities. As part of these activities, all transactions for the provision of goods and services entered into with unconsolidated companies were conducted on an arm's length basis at standard market terms and conditions. Transactions were conducted in financial year 2012 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2011	2012
Receivables	**27**	**7**
from associates	18	1
from joint ventures	5	3
from unconsolidated companies	4	3
Loans	**33**	**11**
to associates	0	0
to joint ventures	20	0
to unconsolidated companies	13	11
Receivables from in-house banking	**3**	**2**
from associates	0	0
from joint ventures	3	2
from unconsolidated companies	0	0
Financial liabilities	**102**	**93**
to associates	28	2
to joint ventures	5	7
to unconsolidated companies	69	84
Liabilities	**33**	**35**
to associates	10	0
to joint ventures	22	35
to unconsolidated companies	1	0
Revenue	**290**	**80**
from associates[1]	269	46
from joint ventures	20	33
from unconsolidated companies	1	1
Expenses[2]	**629**	**264**
due to associates[1]	445	66
due to joint ventures	163	176
due to unconsolidated companies	21	22

[1] Revenue and expenses include Deutsche Postbank AG-related amounts up to and including February 2012.

[2] Relate to materials expense and staff costs.

Deutsche Post AG issued letters of commitment in the amount of €101 million (previous year: €140 million) for these companies. Of this amount, €94 million (previous year: €109 million) was attributable to associates, €3 million (previous year: €26 million) to joint ventures and €4 million (previous year: €5 million) to unconsolidated companies.

52.2 Related party disclosures (individuals)

In accordance with IAS 24, the Group also reports on transactions between the Group and related parties or members of their families. Related parties are defined as the Board of Management, the Supervisory Board and the members of their families.

There were no reportable transactions or legal transactions involving related parties in financial year 2012.

The remuneration of key management personnel of the Group requiring disclosure under IAS 24 comprises the remuneration of the active members of the Board of Management and the Supervisory Board.

The active members of the Board of Management and the Supervisory Board were remunerated as follows:

€m	2011	2012
Short-term employee benefits (excluding share-based payment)	13	15
Post-employment benefits	3	3
Termination benefits	4	0
Share-based payment	1	18
Total	**21**	**36**

As well as the aforementioned benefits for their work on the Supervisory Board, the employee representatives who are on the Supervisory Board and who are employed by the Group also receive their normal salaries for their work in the company. These salaries are determined at levels that are commensurate with the salary appropriate for the function or work performed in the company.

Post-employment benefits are recognised as the service cost resulting from the pension provisions for active members of the Board of Management.

The share-based payment amount relates to the relevant expense recognised for financial years 2011 and 2012. It is itemised in the following table:

Share-based payment

thousands of €	2011	2012
	SARS	SARS
Dr Frank Appel, Chairman	199	3,951
Ken Allen	111	2,409
Roger Crook[1]	58	576
Bruce Edwards	114	2,452
Jürgen Gerdes	114	2,452
Lawrence Rosen	111	2,398
Walter Scheurle[2]	114	3,994
Hermann Ude[3]	438	–
Angela Titzrath[4]	–	119
Share-based payment	**1,259**	**18,351**

[1] Since 9 March 2011.

[2] Until 30 April 2012.

[3] Until 8 March 2011.

[4] Since 1 May 2012.

BOARD OF MANAGEMENT REMUNERATION

The total remuneration paid to the active members of the Board of Management in financial year 2012 including the components with a long-term incentive effect totalled €20.3 million (previous year: €19.0 million). Of this amount, €7.6 million (previous year: €7.4 million) is attributable to non-performance-related components (annual base salary and fringe benefits), €5.7 million (previous year: €4.6 million) to performance-related components (variable components) and €7.0 million (previous year: €7.0 million) to components with a long-term incentive effect (SARS). The number of SARS was 2,108,466 (previous year: 2,771,178).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration of former members of the Board of Management or their surviving dependants amounted to €4.6 million in the year under review (previous year: €7.4 million). The defined benefit obligation (DBO) for current pensions calculated under IFRSS amounted to €78 million (previous year: €57.0 million). A total of €20.9 million of the difference is due to the significantly lower discount rate under IFRSS compared with the previous year, as well as the greater number of pensioners as their pension benefits have fallen due. No additional obligations have been incurred in this context.

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in financial year 2012 amounted to approximately €1.9 million (previous year: €1.4 million); €1.2 million of this amount was attributable to a fixed component (previous year: €1.2 million), €0.2 million to attendance allowances (previous year: €0.2 million) and €0.4 million to the performance-related remuneration for financial year 2010 (previous year: €0 million).

FORMER MEMBERS OF THE SUPERVISORY BOARD

The conditions for the performance-based remuneration for 2010 were met as at 31 December 2012. This led to a payment of €0.04 million to former members of the Supervisory Board.

Further information on the itemised remuneration of the Board of Management and the Supervisory Board can be found in the Corporate Governance Report. The remuneration report contained in the Corporate Governance Report also forms part of the Group Management Report.

SHAREHOLDINGS OF THE BOARD OF MANAGEMENT AND SUPERVISORY BOARD

As at 31 December 2012, shares held by the Board of Management and the Supervisory Board of Deutsche Post AG amounted to less than 1% of the company's share capital.

REPORTABLE TRANSACTIONS

The transactions of Board of Management and Supervisory Board members involving securities of the company notified to Deutsche Post AG in accordance with section 15 a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) can be viewed on the company's website at www.dp-dhl.com/en/investors.html.

53 Auditor's fees

The following fees for services rendered by the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, were recognised as an expense in financial year 2012 and in the previous year:

€m	2011	2012
Audits of the financial statements	5	5
Other assurance or valuation services	2	3
Tax advisory services	0	0
Other services	2	2
Auditor's fees	**9**	**10**

54 Exemptions under the HGB and local foreign legislation

For financial year 2012, Deutsche Post AG has exercised the simplification options under section 264 (3) of the HGB or section 264b of the HGB for the following companies:

- Adcloud GmbH
- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH (formerly Deutsche Post Real Estate Germany GmbH)
- CSG.TS GmbH (formerly Deutsche Post Technischer Service GmbH)
- Danzas Deutschland Holding GmbH
- Danzas Grundstücksverwaltung Groß-Gerau GmbH
- Deutsche Post Adress Beteiligungsgesellschaft mbH
- Deutsche Post Assekuranz Vermittlungs GmbH
- Deutsche Post Beteiligungen Holding GmbH
- Deutsche Post Com GmbH
- Deutsche Post Consult GmbH
- Deutsche Post Customer Service Center GmbH
- Deutsche Post DHL Beteiligungen GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH
- Deutsche Post DHL Corporate Real Estate Management GmbH & Co. Logistikzentren KG
- Deutsche Post DHL Inhouse Consulting GmbH
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Direkt GmbH
- Deutsche Post E-Post Development GmbH
- Deutsche Post E-POST Solutions GmbH (formerly Williams Lea Deutschland GmbH)
- Deutsche Post Fleet GmbH
- Deutsche Post Grundstücks-Vermietungsgesellschaft beta mbH
- Deutsche Post Immobilien GmbH

- Deutsche Post InHaus Services GmbH (formerly Williams Lea Inhouse Solutions GmbH)
- Deutsche Post Investments GmbH
- Deutsche Post IT BRIEF GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- Deutsche Post Signtrust und DMDA GmbH
- Deutsche Post Zahlungsdienste GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Express Germany GmbH
- DHL Fashion Retail Operation GmbH (formerly DHL BwLog GmbH)
- DHL Foodservices GmbH
- DHL Freight Germany Holding GmbH
- DHL Freight GmbH
- DHL Global Forwarding GmbH
- DHL Global Forwarding Management GmbH
- DHL Global Management GmbH
- DHL Home Delivery GmbH
- DHL Hub Leipzig GmbH
- DHL International GmbH
- DHL Logistics GmbH
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH
- DHL Solutions Retail GmbH
- DHL Supply Chain (Leipzig) GmbH
- DHL Supply Chain Management GmbH
- DHL Supply Chain VAS GmbH
- DHL Trade Fairs & Events GmbH
- DHL Vertriebs GmbH (formerly DHL Vertriebs GmbH & Co. oHG)
- DHL Verwaltungs GmbH
- Erste End of Runway Development Leipzig GmbH
- Erste Logistik Entwicklungsgesellschaft MG GmbH
- European Air Transport Leipzig GmbH
- FIRST MAIL Düsseldorf GmbH
- forum gelb GmbH
- Gerlach Zolldienste GmbH
- interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH
- ITG GmbH Internationale Spedition und Logistik
- SGB Speditionsgesellschaft mbH
- Siegfried Vögele Institut (SVI) – Internationale Gesellschaft für Dialogmarketing mbH
- Werbeagentur Janssen GmbH
- Williams Lea GmbH
- Zweite Logistik Entwicklungsgesellschaft MG GmbH

The following companies make use of the audit exemption under 479A of the Companies Act:

- Applied Distribution Group Ltd.
- DHL Exel Supply Chain Ltd.
- Exel Overseas Ltd.
- Freight Indemnity & Guarantee Company Ltd.
- Ocean Group Investments Ltd.
- Ocean Overseas Holdings Ltd.
- Power Europe Development Ltd.
- Power Europe Operating Ltd.
- RDC Properties Ltd.
- T & B Applied Ltd.
- Tibbett & Britten Group Ltd.
- Trucks and Child Safety Ltd.

55 Declaration of Conformity with the German Corporate Governance Code

The Board of Management and the Supervisory Board of Deutsche Post AG jointly submitted the Declaration of Conformity with the German Corporate Governance Code for financial year 2012 required by section 161 of the *Aktiengesetz* (AktG – German Stock Corporation Act). This Declaration of Conformity can be accessed online at www.corporate-governance-code.de and at www.dp-dhl.com/en/investors.html.

56 Significant events after the balance sheet date

There were no significant events after the reporting date.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Bonn, 18 February 2013

Deutsche Post AG
The Board of Management

Dr Frank Appel

Ken Allen

Ken Allen

Roger Crook

Bruce Edwards

Jürgen Gerdes

Lawrence Rosen

Angela Titzrath

INDEPENDENT AUDITOR'S REPORT

To Deutsche Post AG

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Deutsche Post AG, Bonn, and its subsidiaries, which comprise the income statement and the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in equity, and the notes to the consolidated financial statements, for the business year from 1 January to 31 December 2012.

BOARD OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Board of Management of Deutsche Post AG, Bonn, is responsible for the preparation of these consolidated financial statements. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB (*"Handelsgesetzbuch"*: German Commercial Code) and that these consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the group in accordance with these requirements. The Board of Management is also responsible for the internal controls as the Board of Management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW) and, additionally, observed the International Standards on Auditing (ISA). Accordingly, we are required to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of audit procedures depends on the auditor's professional judgment. This includes the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers the internal control system relevant to the entity's preparation of consolidated financial statements that give a true and fair view. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AUDIT OPINION

According to § 322 Abs. 3 Satz (sentence) 1 HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2012 as well as the results of operations for the business year then ended, in accordance with these requirements.

Report on the Group Management Report

We have audited the accompanying group management report of Deutsche Post AG, Bonn, for the business year from 1 January to 31 December 2012. The Board of Management of Deutsche Post AG, Bonn, is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to § 315a (1) HGB. We conducted our audit in accordance with § 317 Abs. 2 HGB and German generally accepted standards for the audit of the group management report promulgated by the *Institut der Wirtschaftsprüfer* (Institute of Public Auditors in Germany) (IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to § 322 Abs. 3 Satz 1 HGB, we state that our audit of the group management report has not led to any reservations.

In our opinion based on the findings of our audit of the consolidated financial statements and group management report, the group management report is consistent with the consolidated financial statements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 18 February 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Dietmar Prümm
Wirtschaftsprüfer	*Wirtschaftsprüfer*
(German Public Auditor)	(German Public Auditor)

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GLOSSARY

Deutsche Post

Cross-border mail (outbound)
All outbound international mail.

Dialogue marketing
Market-orientated activities that apply direct communications to selectively reach target groups using a personal, individualised approach.

E-Postbrief
A secure and reliable means of online communication that can be delivered both electronically and by traditional mail.

Federal Network Agency (*Bundesnetzagentur*)
German national regulator for electricity, gas, telecommunications, post and railway.

Maxibrief
Letter measuring a maximum of 353 × 250 × 50 mm and weighing up to 1,000 g.

Packstation
Parcel machine where parcels and small packages can be deposited and collected around the clock.

Paketbox
Parcel box for franked parcels and small packages (maximum dimensions: 50 × 40 × 30 cm).

Partner outlets
Postal retail outlets operated primarily by partners in the retail sector who offer postal services in addition to their core businesses.

Postal Act (*Postgesetz*)
The purpose of the German Postal Act, which took effect on 1 January 1998, is to promote postal competition through regulation and ensure the nationwide provision of appropriate and sufficient postal services. It includes regulations on licensing, price control and the universal service.

Preferred periodical
A press product of which more than 30 % consists of journalistic reporting.

Price-cap procedure
Procedure whereby the German Federal Network Agency approves prices for certain mail products. The agency approves prices on the basis of parameters it stipulates in advance, which set the average changes in these prices within baskets of services defined by the agency.

Standard letter
Letter measuring a maximum of 235 × 125 × 5 mm and weighing up to 20 g.

Standard periodical
A press product of which no more than 30 % consists of journalistic reporting.

Targeting
Target-specific advertising on websites aimed at achieving the highest possible advertising effectiveness.

DHL

Aftermarket logistics
Logistics services for manufacturer exchanges, returns and repairs.

B2C
The exchange of goods, services and information between companies and consumers.

Business process outsourcing
Outsourcing specific business functions to a third-party service provider.

Collect and return
Goods are picked up from end users at different addresses, transported to the predetermined repair company, collected after repair and returned to the end user.

Contract logistics
Complex logistics and logistics-related services along the value chain that are performed by a contract logistics service provider. Services are tailored to a particular industry or customer and are generally based on long-term contracts.

Day Definite
Delivery of shipments on a specified day.

DHL Customer Solutions & Innovation (DSI)
A unit in which we merged our key account management, Global Customer Solutions (GCS), our innovation unit, DHL Solutions & Innovations (DSI), and our strategic sector management in order to deliver on our customer promise and to bundle all cross-divisional DHL activities.

E-fulfilment
Fulfilment services for the e-commerce market.

Full truckload
Complete capacity of truck is utilised, from sender to receiver.

Gateway
Collection point for goods intended for export and for further distribution of goods upon import; customs clearance point.

Hub
Collection centre for the trans-shipment and consolidation of flows of goods.

Inbound logistics
Supply of manufacturing and assembly locations.

Inbound-to-manufacturing
The procurement of goods and their transport from the place of origin/manufacture to the production line.

Intermodal transport
Transport chain combining different modes of transport, often road and rail.

Lead logistics provider
A logistics service provider who assumes the organisation of all or key logistics processes for the customer.

Less than container load (LCL)
Loads that will not fill a container and are consolidated for ocean transport.

Less than truckload
Shipment weighing approximately three tonnes that is smaller than a full truckload and consolidated with other senders' and/or receivers' shipments into one load for transport.

Maintenance, Repair & Operations
The product relates to the supply of goods which do not become part of the end product but are consumed during maintenance, repair and general operations processes.

Medical Express
The transport of time-critical or temperature-critical medical shipments such as blood and tissue samples to medical facilities, hospitals, laboratories or research institutes, usually related to clinical trials of new medications.

Multimodal transport
Combines a minimum of two different means of transport for a shipment, such as air, sea, rail and ground.

Part truckload
Shipment that does not constitute a full truckload but is transported from point of departure to destination without trans-shipment.

Same Day
Delivery within 24 hours of order placement.

Supply chain
A series of connected resources and processes from sourcing materials to delivering goods to consumers.

Time Definite
Delivery of time-critical shipments for which the day or time of delivery has been specified or guaranteed.

Transported Asset Protection Association (TAPA)
A forum that unites manufacturers, logistics providers, freight carriers, law enforcement authorities and other stakeholders with the common aim of reducing losses from international supply chains.

Twenty-foot equivalent unit (TEU)
Standardised container unit, 20 feet long, 8 feet wide (6 × 2.4 metres).

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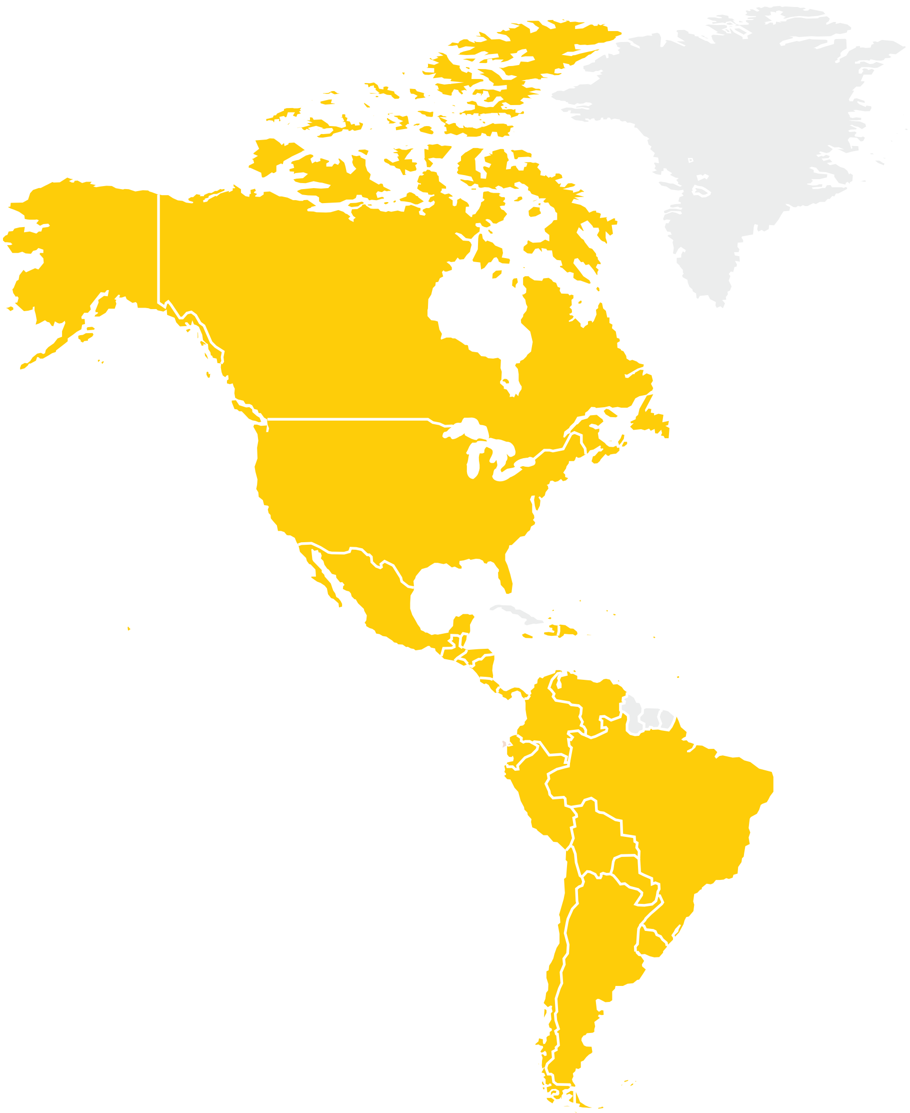

Americas

Antigua and Barbuda
Argentina
Aruba
Bahamas
Barbados
Belize
Bermuda
Bolivia
Brazil
British Virgin Islands
Canada
Cayman Islands
Chile
Colombia
Costa Rica
Dominican Republic
Dutch Antilles
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Jamaica
Martinique
Mexico
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
St Lucia
Trinidad and Tobago
Uruguay
USA
Venezuela

Europe

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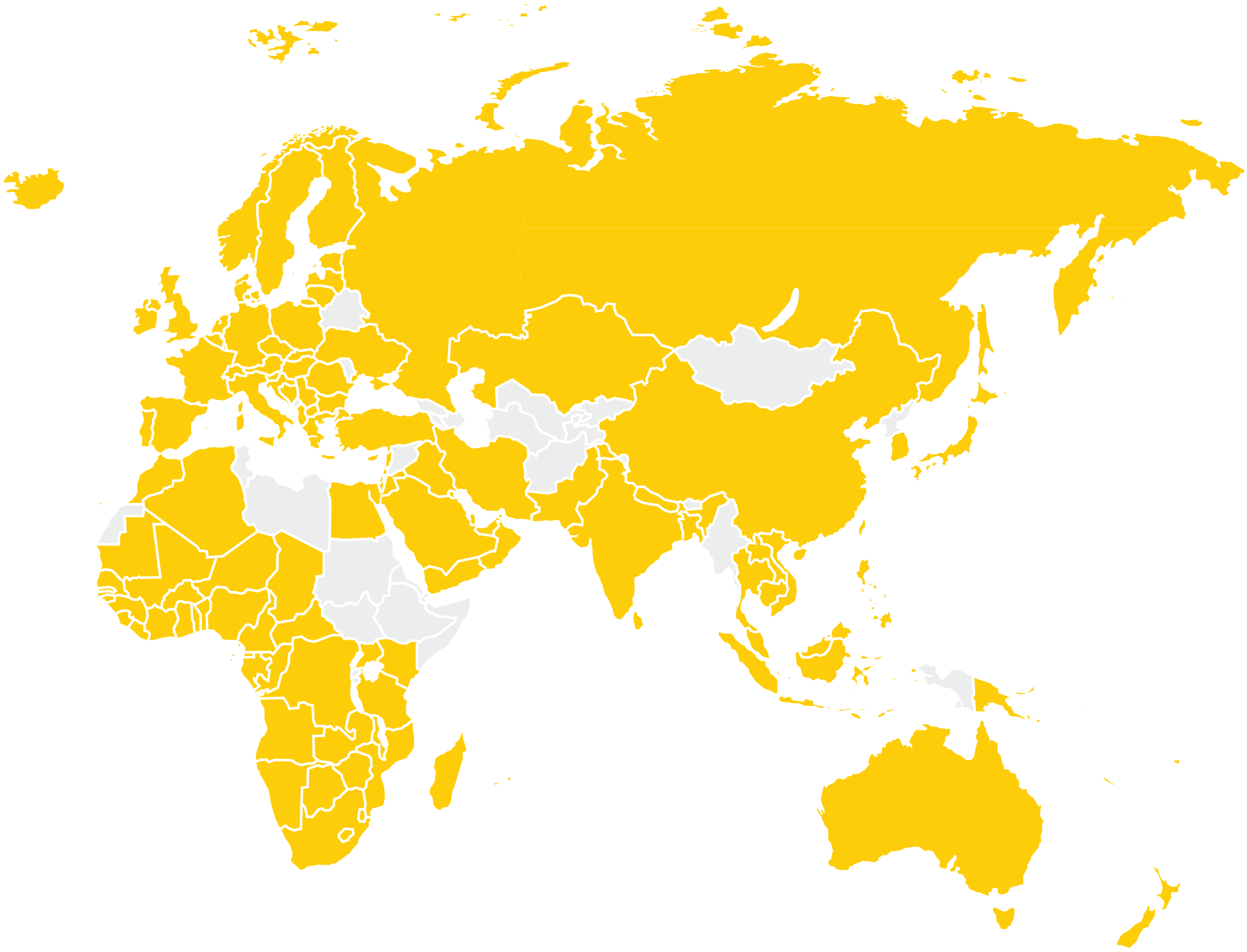
Austria
Belgium
Bosnia and Herzegovina
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Lithuania
Luxembourg
Macedonia
Malta
Netherlands
Norway
Poland
Portugal
Romania
Russia
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
Ukraine
United Kingdom

[1] Countries according to the list of shareholdings, which can be accessed on the website @ www.dp-dhl.com/en/investors.html.



Middle East and Africa

Algeria
Angola
Bahrain
Benin
Botswana
Burkina Faso
Cameroon
Central African Republic
Chad
Democratic Republic of Congo
Egypt
Ethiopia
Gabon
Gambia

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Iraq
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Ivory Coast
Jordan
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Kuwait
Lebanon
Lesotho
Liberia
Madagascar
Malawi
Mali

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Niger
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Oman
Qatar
Republic of Congo
Republic of Equatorial Guinea
Réunion
Saudi Arabia
Senegal

Sierra Leone
South Africa
Swaziland
Tanzania
Togo
Turkey
Uganda
United Arab Emirates
Yemen
Zambia
Zimbabwe

Asia Pacific

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Brunei Darussalam
Cambodia
China
East Timor
Fiji
French Polynesia
India
Indonesia
Japan
Kazakhstan
Laos
Macau

Malaysia
Nepal
New Caledonia
New Zealand
Pakistan
Papua New Guinea
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

MULTI-YEAR REVIEW

D.02 Key figures 2005 to 2012

€m	2005 adjusted	2006 adjusted	2007 adjusted	2008 adjusted	2009 adjusted	2010 adjusted	2011 adjusted	2012
Revenue								
MAIL	12,878	15,290	14,569	14,393	13,912	13,913	13,973	13,972
EXPRESS	16,831	13,463	13,874	13,637	9,917	11,111	11,691	12,778
LOGISTICS	9,933	24,405	–	–	–	–	–	–
GLOBAL FORWARDING, FREIGHT	–	–	12,959	14,179	11,243	14,341	15,118	15,666
SUPPLY CHAIN	–	–	14,317	13,718	12,183	13,061	13,223	14,340
FINANCIAL SERVICES	7,089	9,593	–	–	–	–	–	–
SERVICES	3,874	2,201	–	–	–	–	–	–
Divisions total	50,605	64,952	55,719	55,927	47,255	52,426	54,005	56,756
Corporate Center/Other (until 2006: Consolidation; until 2007: Corporate Center/Other and Consolidation)	−6,011	−4,407	−1,676	1,782	1,527	1,302	1,260	1,203
Consolidation	–	–	–	−3,235	−2,581	−2,340	−2,436	−2,447
Total (continuing operations)	**44,594**	**60,545**	**54,043**	**54,474**	**46,201**	**51,388**	**52,829**	**55,512**
Discontinued operations	–	–	10,335	11,226	1,634	–	–	–
Profit/loss from operating activities (EBIT)								
MAIL	2,030	2,094	1,976	2,179	1,391	1,120	1,107	1,051
EXPRESS	−23	288	−272	−2,194	−790	497	916	1,108
LOGISTICS	346	751	–	–	–	–	–	–
GLOBAL FORWARDING, FREIGHT	–	–	409	362	174	383	440	512
SUPPLY CHAIN	–	–	577	−920	−216	231	362	416
FINANCIAL SERVICES	863	1,004	–	–	–	–	–	–
SERVICES	679	−229	–	–	–	–	–	–
Divisions total	3,895	3,908	2,690	−573	559	2,231	2,825	3,087
Corporate Center/Other (until 2006: Consolidation; until 2007: Corporate Center/Other and Consolidation)	−131	−36	−557	−393	−328	−395	−389	−420
Consolidation	–	–	–	0	0	−1	0	−2
Total (continuing operations)	**3,764**	**3,872**	**2,133**	**−966**	**231**	**1,835**	**2,436**	**2,665**
Discontinued operations	–	–	1,060	−871	−24	–	–	–
Consolidated net profit/loss for the period	**2,448**	**2,282**	**1,873**	**−1,979**	**693**	**2,630**	**1,266**	**1,780**
Cash flow/investments/depreciation, amortisation and impairment losses								
Total cash flow from operating activities	3,624	3,922	5,151	1,939	−584	1,927	2,371	−203
Total cash flow from investing activities	−5,052	−2,697	−1,053	−441	−2,710	8	−1,129	−1,697
Total cash flow from financing activities	−1,288	−865	−1,787	−1,468	1,676	−1,651	−1,547	1,199
Investments	6,176	4,066	2,343	3,169	1,444	1,276	1,880	2,032
Depreciation, amortisation and impairment losses	1,961	1,771	2,196	2,662	1,620	1,296	1,274	1,339
Assets and capital structure								
Non-current assets	25,223	26,074	25,764	20,517	22,022	24,493	21,225	21,832
Current assets	147,417	191,624	209,656	242,447	12,716	13,270	17,183	12,289
Equity (excluding non-controlling interests)	10,624	11,220	11,035	7,826	8,176	10,511	11,009	11,951
Non-controlling interests	1,791	2,732	2,778	2,026	97	185	190	213
Current and non-current provisions	12,161	14,233	12,276	10,836	9,677	9,427	9,008	6,306
Current and non-current liabilities[1]	19,371	20,850	21,544	242,276	16,788	17,640	18,201	15,651
Total assets	**172,640**	**217,698**	**235,420**	**262,964**	**34,738**	**37,763**	**38,408**	**34,121**

		2005 adjusted	2006 adjusted	2007 adjusted	2008 adjusted	2009	2010	2011	2012
Employees/staff costs (from 2007: continuing operations)									
Total number of employees (headcount including trainees)	as at 31 Dec.	502,545	520,112	512,147	512,536	477,280	467,088	471,654	473,626
Full-time equivalents	as at 31 Dec.	455,115	463,350	453,626	451,515	424,686	418,946	423,502	428,129
Average number of employees (headcount)		393,463	507,641	500,252	511,292	488,518	464,471	467,188	472,321
Staff costs	€m	14,337	18,616	17,169	18,389	17,021	16,609	16,730	17,770
Staff cost ratio[2]	%	32.2	30.7	31.8	33.8	36.8	32.3	31.7	32.0
Key figures revenue/income/assets and capital structure									
Return on sales[3]	%	8.4	6.4	3.9	−1.8	0.5	3.6	4.6	4.8
Return on equity (ROE) before taxes[4]	%	28.7	21.6	8.6	−9.0	3.0	29.8	15.2	19.2
Return on assets[5]	%	2.3	2.0	0.9	−0.4	0.2	5.1	6.4	7.3
Tax rate[6]	%	19.8	19.7	14.0	–	5.4	6.9	23.7	20.5
Equity ratio[7]	%	7.2	6.4	5.9	3.7	23.8	28.3	29.2	35.6
Net debt (+)/net liquidity (–) (Postbank at equity)[8]	€m	4,193	3,083	2,858	2,466	−1,690	−1,382	−938	1,952
Net gearing (Postbank at equity)[9]	%	28.1	21.4	20.4	23.7	−25.7	−14.8	−9.1	13.8
Dynamic gearing (Postbank at equity)[10]	years	2.4	1.4	1.0	0.7	−1.4	−0.7	−0.4	−9.6
Key stock data									
(Diluted) earnings per share[11]	€	1.99	1.60	1.15	−1.40	0.53	2.10	0.96	1.32
Cash flow per share[11,12]	€	3.23	3.28	4.27	1.60	−0.48	1.59	1.96	−0.17
Dividend distribution	€m	836	903	1,087	725	725	786	846	846[13]
Payout ratio (distribution to consolidated net profit)	%	37.4	47.1	78.6	–	112.6	30.9	72.7	51.0
Dividend per share	€	0.70	0.75	0.90	0.60	0.60	0.65	0.70	0.70[13]
Dividend yield (based on year-end closing price)	%	3.4	3.3	3.8	5.0	4.4	5.1	5.9	4.2
(Diluted) price/earnings ratio[14]		10.3	14.3	20.4	−8.5	25.5	6.0	12.4	12.6
Number of shares carrying dividend rights	millions	1,193.9	1,204.0	1,208.2	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0
Year-end closing price	€	20.48	22.84	23.51	11.91	13.49	12.70	11.88	16.60

[1] Excluding liabilities from financial services. [2] Staff costs/revenue. [3] EBIT/revenue. [4] Profit before income taxes/average equity (including non-controlling interests). [5] EBIT/average total assets. [6] Income taxes/profit before income taxes. [7] Equity (including non-controlling interests)/total assets. [8] 2005: Financial liabilities excluding cash and cash equivalents, current financial assets and long-term deposits. From 2006: excluding financial liabilities to minority shareholders of Williams Lea. From 2008: ➔ Group Management Report, page 49.
[9] Net debt/net debt and equity (including non-controlling interests). [10] Net debt/cash flow from operating activities. [11] The weighted average number of shares for the period was used for the calculation. [12] Cash flow from operating activities. [13] Proposal. [14] Year-end closing price/(diluted) earnings per share.

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2013

INTERIM REPORT JANUARY TO MARCH 2013	14 MAY 2013
2013 ANNUAL GENERAL MEETING (FRANKFURT AM MAIN)	29 MAY 2013
DIVIDEND PAYMENT	30 MAY 2013
INTERIM REPORT JANUARY TO JUNE 2013	6 AUGUST 2013
INTERIM REPORT JANUARY TO SEPTEMBER 2013	12 NOVEMBER 2013

2014

ANNUAL REPORT 2013	12 MARCH 2014
INTERIM REPORT JANUARY TO MARCH 2014	15 MAY 2014
2014 ANNUAL GENERAL MEETING (FRANKFURT AM MAIN)	27 MAY 2014
DIVIDEND PAYMENT	28 MAY 2014
INTERIM REPORT JANUARY TO JUNE 2014	5 AUGUST 2014
INTERIM REPORT JANUARY TO SEPTEMBER 2014	12 NOVEMBER 2014

INVESTOR EVENTS[1]

CITI'S ANNUAL WEST COAST SYMPOSIUM (SAN FRANCISCO)	13–14 MARCH 2013
CITI PAN-EUROPEAN BUSINESS SERVICES CONFERENCE (LONDON)	22 MARCH 2013
DEUTSCHE BANK ACCESS GERMAN, SWISS & AUSTRIAN CONFERENCE (FRANKFURT AM MAIN)	15 MAY 2013
BOFA ML TRANSPORT & LEISURE CONFERENCE (LONDON)	22 MAY 2013
WOLFE TRAHAN & CO. GLOBAL TRANSPORTATION CONFERENCE (NEW YORK)	22–23 MAY 2013
GOLDMAN SACHS BUSINESS SERVICES CONFERENCE (LONDON)	25 JUNE 2013
DAVY TRANSPORTATION & LOGISTICS CONFERENCE (LONDON)	26 JUNE 2013
UBS BEST OF GERMANY CONFERENCE (NEW YORK)	16–17 SEPTEMBER 2013
GOLDMAN SACHS/BERENBERG BANK GERMAN CORPORATE CONFERENCE (MUNICH)	24 SEPTEMBER 2013
BAADER INVESTMENT CONFERENCE (MUNICH)	25 SEPTEMBER 2013

[1] Further dates, updates as well as information on live webcasts @ dp-dhl.com/en/investors.html.

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53250 Bonn
Germany

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