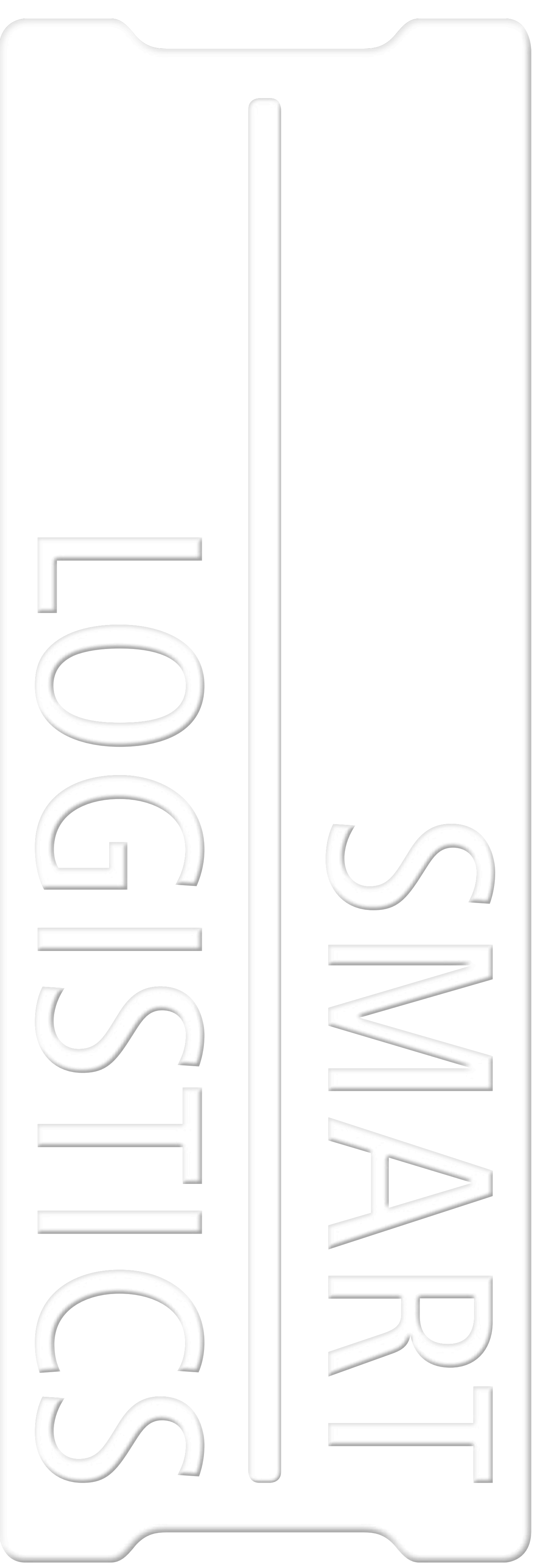

2015 Annual Report

Deutsche Post DHL Group

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SMART LOGISTICS

The life sciences and healthcare industry increasingly requires transport solutions which guarantee product integrity. We support our customers through efficient, flexible and highly reliable transport solutions along the entire supply chain. By shaping innovative solutions DHL will become the preferred logistics partner for the life sciences industry.

DR FRANK APPEL
Chief Executive Officer

Future growth potential

SMART LOGISTICS

In the global logistics business, you need size, reach, scalable products and innovative services to compete over the long term and achieve profitable growth. Likewise, you have to identify and open up potential in future growth markets and industries.

The Life Sciences and Healthcare sector is without doubt one such growth market. The world market for pharmaceuticals, for example, has doubled within a decade. As demand has risen, so have the qualitative and regulatory requirements of manufacturers, including in particular their modes of transport.

Standardised processes, compliant networks and temperature-controlled supply chains are order of the day. On the following pages, we illustrate how we serve this sensitive sector's customers with efficient, transparent, reliable and high-quality transport solutions – in other words: with smart logistics.

2015 WAS A YEAR OF TRANSITION FOR DEUTSCHE POST DHL GROUP

I have often emphasised that 2015 was a year of transition for Deutsche Post DHL Group. A series of events and changes demanded our attention: we achieved a good wage agreement for Deutsche Post AG in Germany after a long strike, expanded the parcel business into additional countries in Europe, made further investments in our express network, began the IT renewal of Global Forwarding and continued the restructuring of Supply Chain. In my view, this means we have addressed the most important items on our Strategy 2020 agenda which are essential to the company's future success.

As I said back in 2014, we accepted some short-term effects on our consolidated EBIT as a result of these strategic measures across the divisions. As a result of re-orientating the transformation process at Global Forwarding, we recorded negative one-off effects in the amount of €336 million in financial year 2015. Moreover, the earnings exposure of €200 million for full-year 2015 announced in the third quarter was almost fully recognised. Nonetheless, we met the forecast which had been adjusted over the course of the year.

In 2015, we increased consolidated revenue to €59.2 billion, due to positive currency effects. The German parcel business in the Post - eCommerce - Parcel division and the international business in the Express division continued to generate dynamic growth. Lower fuel surcharges and changes to the way in which revenue is reported as a result of revised contract terms with a customer in the Supply Chain division had a negative impact on revenue.

At the same time, we have seen that our business model is fundamentally intact and our profitability remains high, not least given the sound operating performance in the fourth quarter. Furthermore, every year we get better at generating cash from our operating business; for instance, we significantly exceeded our goal of using cash flow to cover the prior-year dividend.

I AM VERY CONFIDENT THAT 2016 WILL BE A GOOD YEAR FOR US

With regard to 2016, I am very confident that it will be a good year for us. This is for three reasons in particular: First, the one-off effects that set back earnings in 2015 will be behind us. Second – and even more important for the future – we shall increasingly see the positive effects of the structural improvements that we have initiated or already implemented in the individual divisions. Third, our investments in growth will increasingly pay off.

We therefore continue to expect consolidated EBIT to reach between €3.4 billion and €3.7 billion in financial year 2016. The Post - eCommerce - Parcel division is likely to contribute more than €1.3 billion to this figure. Compared with the previous year, we expect a significant improvement in overall earnings to between €2.45 billion and €2.75 billion in the DHL divisions. All of the DHL divisions are expected to contribute to the increase. Whereas earnings in the Express division are likely to continue rising steadily, a significant improvement is expected for Global Forwarding, Freight and Supply Chain, now that the expenses incurred in connection with the transformation process will no longer arise. The Corporate Center/Other result is projected to remain at around €–0.35 billion.

At the Annual General Meeting in May, we shall propose a dividend of €0.85 per share. This remains within our target payout ratio of 40% to 60% of net profits adjusted for one-off effects.

As a scientist, I am aware that change is essential in order to enable better solutions to evolve. In this regard, we are doing an outstanding job of this for our customers – and as a Group, we have proven again that we are always willing to challenge and improve ourselves as we follow our clear strategy for the future.

Yours faithfully,

SERIALISATION
CREATES SECURITY
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VISIBILITY CREATES
TRANSPARENCY
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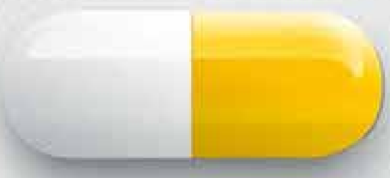

STANDARDS THAT
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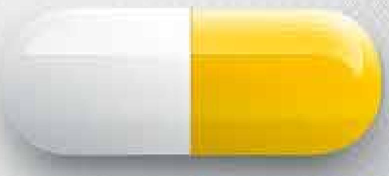

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EXPERTISE IN DEVELOPING
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SERIALISATION CREATES SECURITY

Counterfeit, stolen and adulterated medicines pose a risk – to the health of patients and also to the reputation and success of pharmaceutical companies. In response, regulators are increasingly turning to serialisation to help minimise these dangers and improve patient safety.

Open here

This means giving each pack, case or pallet a unique, traceable identifier so that a product can be verified along the entire supply chain. To date there is no single, internationally standard serialisation system in place – a fact that makes meeting regulatory challenges even greater.

PHARMA COVIGILANCE

Facilitates the monitoring of medicines that are new to the market.

PACKAGING SOLUTIONS

Regulations and standards differ from country to country, making packaging standardisation a challenge.

CO-OPERATION

E

PEDIGREE

An "e-pedigree" is the electronic documentary data for a particular batch of a drug.

PROTECTION

Serialisation leads to enhanced brand protection as well as improved customer safety. Serialisation offers protection against stolen, tampered with, recalled or expired drugs.

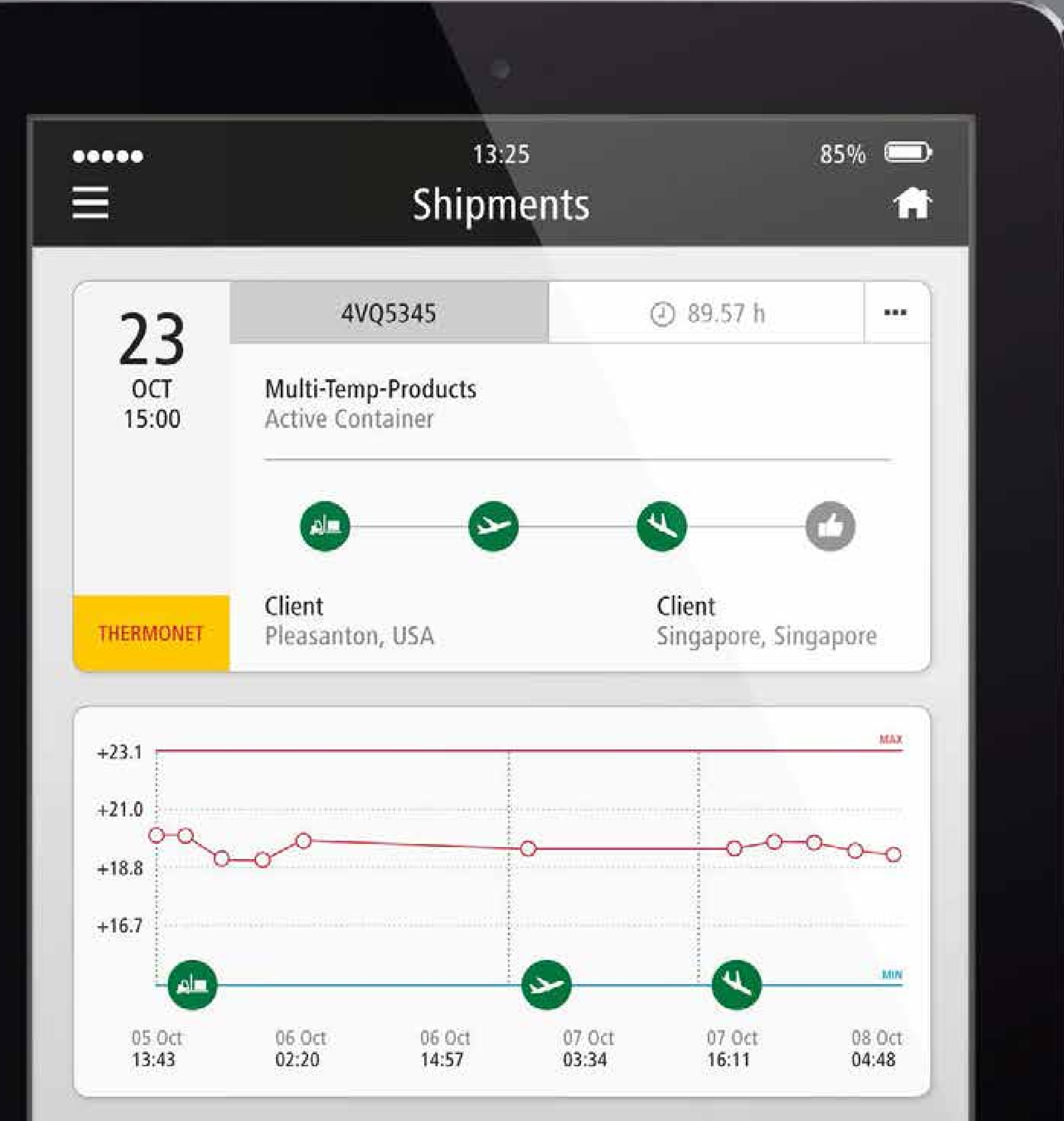
Developing solutions requires investment and collaboration with printing-technology vendors, designers of security inspection systems, IT vendors and more partners.

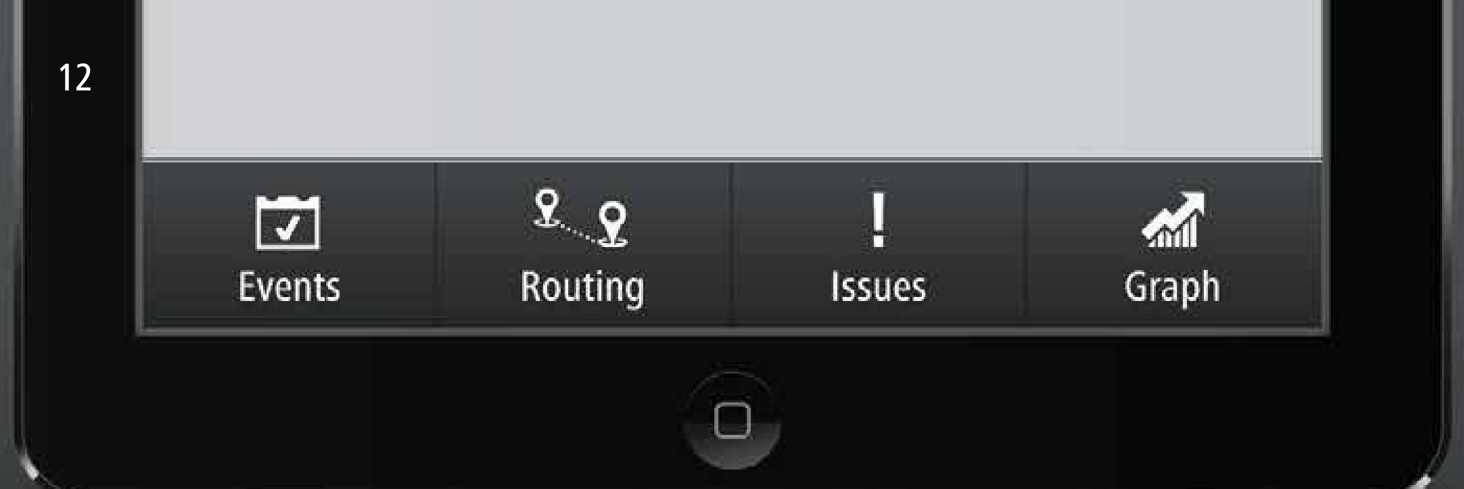
SERIALISATION

A unique identifying serial number allows the movement of units to be tracked along the entire supply chain.

VISIBILITY CREATES TRANSPARENCY

DHL offers a raft of temperature-controlled, high visibility, monitored services. In 2015, DHL introduced the LifeTrack app, the first cold-chain tracking mobile app designed for the pharmaceutical industry.





Supply chains in the life sciences and healthcare industry are becoming more and more complex due to challenges such as channel-specific distribution, regulations and globalisation. There is an increased need for end-to-end visibility ideally based upon real-time tracking and sensor data. Product protection – preventing damage or even spoilage – is very high on pharmaceutical company agendas, which means it's also a priority for DHL. We offer global networks and IT systems specialised for the life sciences sector. Thanks to products such as Thermonet, Ocean Secure, LifeConEx and Medical Express, DHL offers customers the high quality and regulatory requirements that they need.

With the new LifeTrack app, introduced in 2015, our customers can follow and manage their cold chains via their mobile devices.

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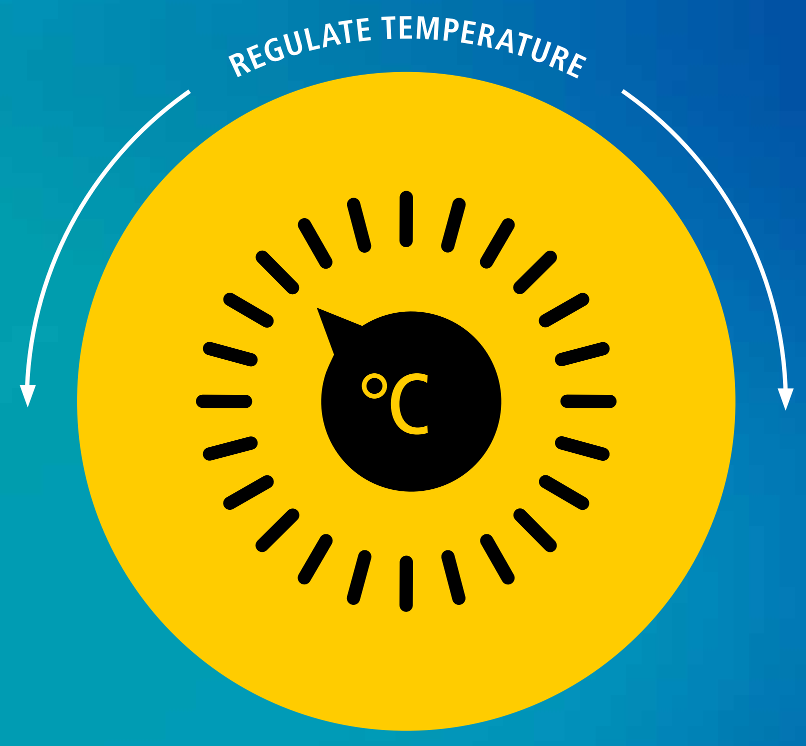
Apple and the Apple logo are trademarks of Apple Inc., registered in the U.S. and other countries.
App Store is a service mark of Apple Inc.

STANDARDS THAT ENSURE QUALITY

The global demand for expensive, structurally complex and temperature-sensitive biologics and specialty drugs is growing. At the same time, there are more and more regulatory requirements. To meet the industry's changing demands a new generation of supply chains needs to be developed. DHL enhances its workflows and products continuously to support this development.



Highly specialised, compliant network

Standard warehousing, storage and dispatch provide value-added services and process control from order to payment.

Certified Life Sciences Stations close to major airports operate to Good Distribution Practice standards, ensuring customers' temperature-sensitive products are held, handled and forwarded under pre-defined controlled conditions.

Intelligent IT networks harness the power of big data and analytics to reduce risk and make better decisions about managing the temperature-controlled supply chain.

Globally uniform procedures

Product characteristics as well as seasonal and route-dependent packaging requirements are specifically documented and the agreed conditions are monitored during transport.

Effective temperature-controlled supply chains rely on well-defined standard operating procedures based upon comprehensive supply chain risk assessment.

Specially trained employees have the know-how to ensure compliance with industry standards and ensure that the quality of processes is continuously optimised.

Risk-averse packaging

−°C

+°C

The choice of packaging is always a balance between risk and cost.

Active systems use an energy source combined with thermostatic control to maintain temperature. Integrated report-back technologies such as GPS and telemetry ensure even greater security during transport.

Passive packaging solutions use cooling materials such as dry ice to keep products at the desired temperature.

25 °C

15 °C

8 °C

2 °C

−18 °C

Total cost strategy

a

b

c

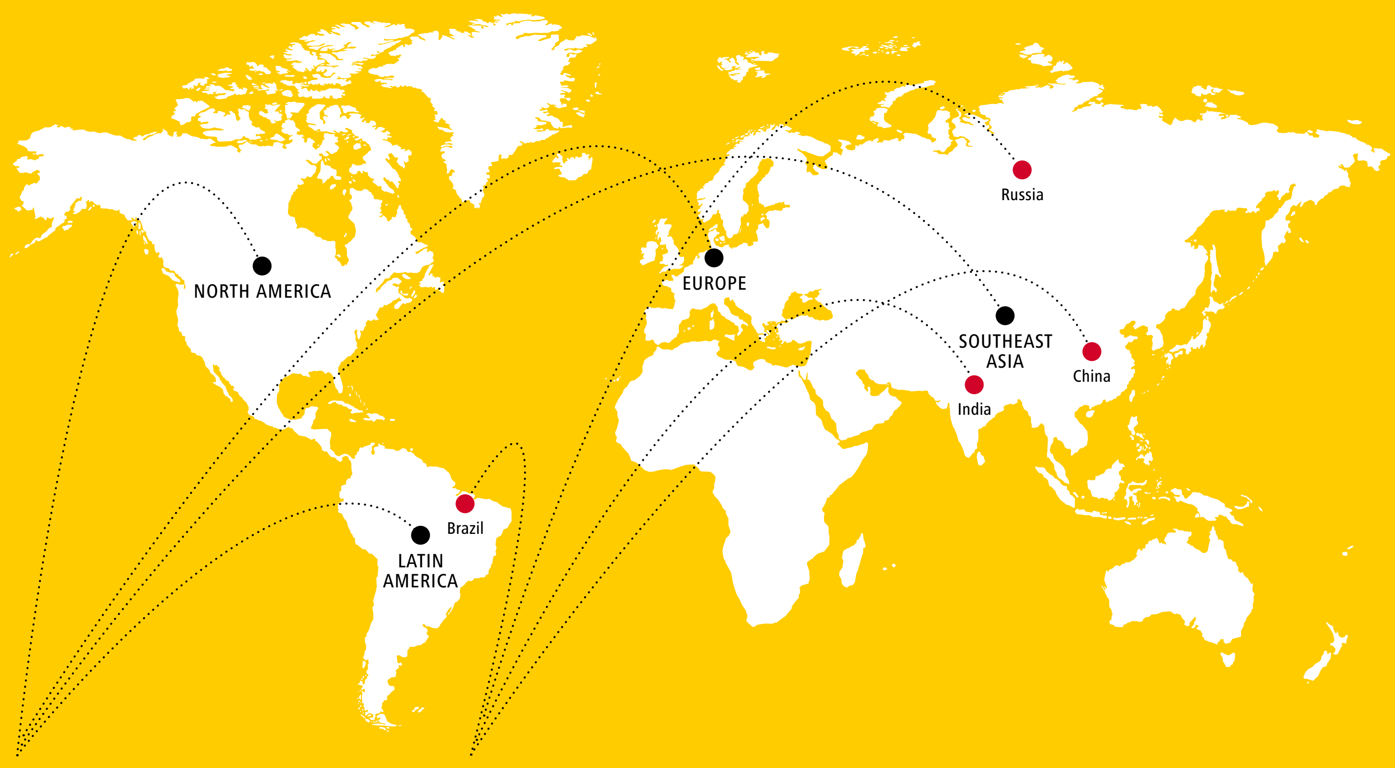
d

Leading manufacturers and their logistics partners are evolving away from simply managing costs on a purchase-price basis, to encompassing all direct and indirect costs.

Indirect costs such as product losses or reputational risks are typically difficult to identify and merge. They can however have a significant financial impact.

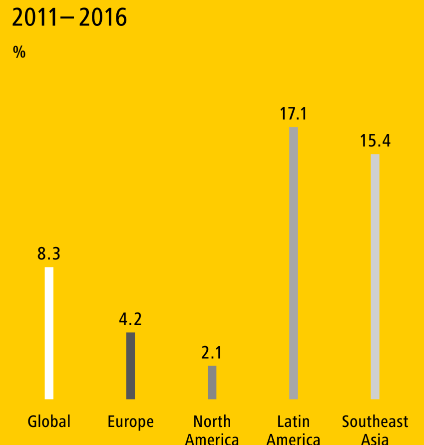
PRESENCE SUPPORTS POTENTIAL

We ensure our leading position in a strong growing market through our global presence and network expertise.



FORECAST OTC[1] GROWTH 2011–2016

%



[1] OTC stands for over the counter. These are medicines that can be sold without a prescription.

Source: IMS 2013.

PHARMACEUTICAL SPENDING IN BRIC 2011 AND 2016

US$BN

	2011	2016
China	67	161
Brazil	30	47
India	14	29
Russia	16	27

Source: IMS 2012b.

PROJECTED SPECIALTY DRUG SPENDING 2012–2020

US$BN

2012	2016	2020
87.1	192.2	401.7
	+121% since 2012	+109% since 2016

Source: PwC Health Research Institute; Medical Cost Trend: Behind the numbers 2015, June 2014.

GLOBAL, SPECIFIC INFRASTRUCTURE

DHL understands the challenges facing life sciences companies. Together, we've created solutions.

Worldwide expertise of over

4,900

DHL life sciences specialists

… including more than

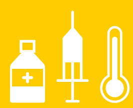
150

pharmacists

Clinical trial depots in

23

countries



Network of life sciences-certified stations in more than

40

countries

Pharma GMP facilities in more than

15

countries on all continents (GMP stands for good manufacturing practice.)

Global warehousing footprint in more than

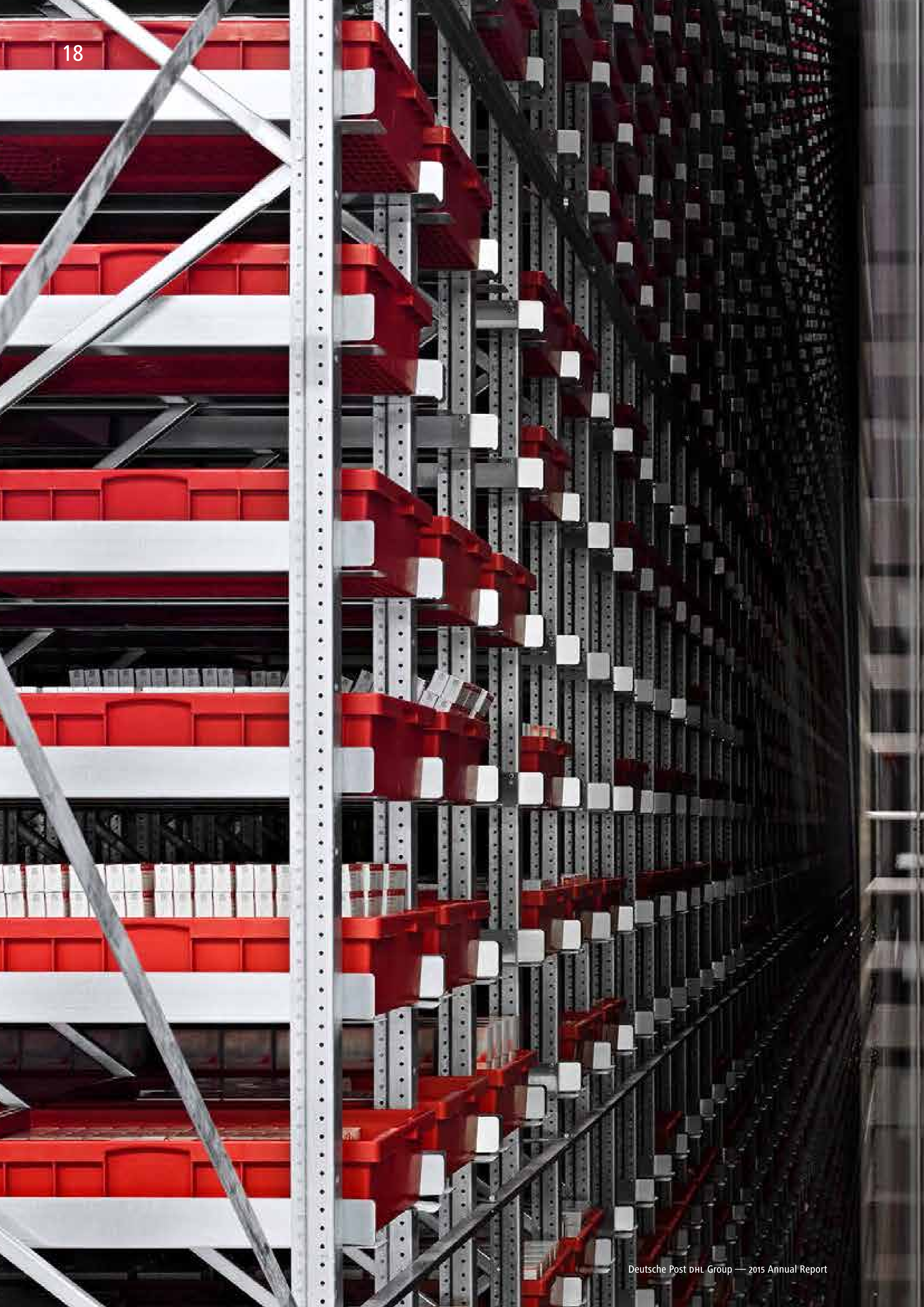
56

countries: more than 160 sites and over 1.8 million square metres of floor space

Over

15

years of a partnership approach to solving our customers' needs in the sector



EXPERTISE IN DEVELOPING NEW MARKETS

In June 2015, the German logistics activities of drug manufacturer STADA were transferred to DHL, more than an outsourcing project. The focus on core competencies will save costs and ensure customer flexibility – and has opened up new markets for DHL.

“THIS IS A VERY SPECIAL PROJECT, WITH TWO RENOWNED COMPANIES MERGING THEIR CORE COMPETENCIES.”

DR MANFRED ANDULEIT, STADA

DR MANFRED ANDULEIT
Vice President Corporate Governance & Corporate Compliance, STADA

WOLFRAM HEINISCH
Vice President of Strategy Planning & Business Intelligence, STADA

"This is what you call a win-win-win situation", says Wolfram Heinisch, Vice President of Strategy Planning & Business Intelligence at STADA, with regard to the transfer of STADA's logistics activities to DHL. "STADA, the employees and DHL are all winners."

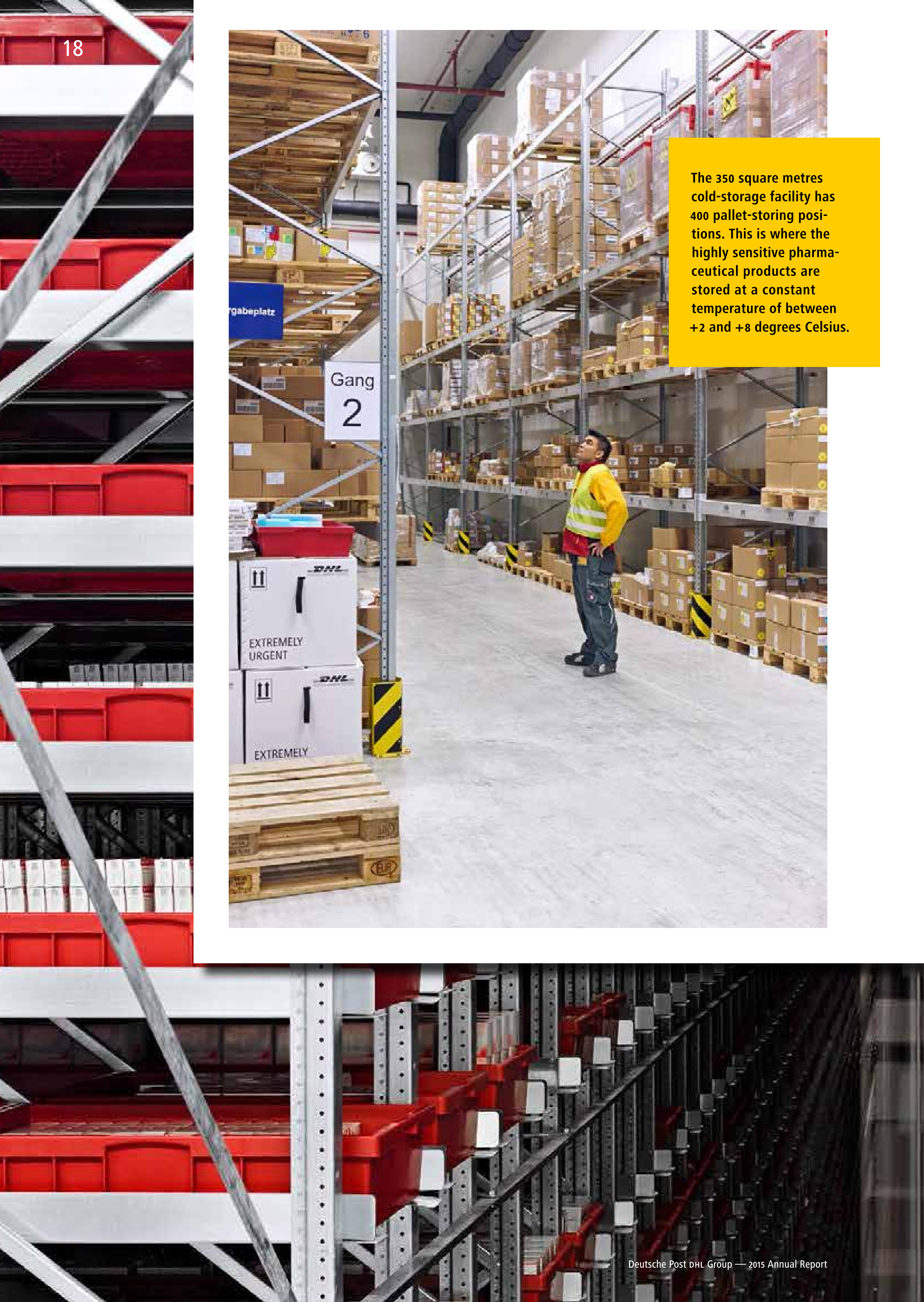
DHL integrated the German logistics activities of drug manufacturer STADA as of 1 June 2015, assuming responsibility for employees at the company's two locations in Florstadt and Bad Vilbel. The idea for the one-of-a-kind outsourcing project came from STADA. Wolfram Heinisch explains: "There is a great deal of pressure on prices in our sector and logistics expenses are driving costs ever higher. This, of course, poses the question of how we can lower costs over the long term whilst ensuring a high degree of flexibility by always having available logistics capacity. The answer: by finding a strong partner."

DHL was able to convince STADA that it was the right partner for the project. Wim Eringfeld, Vice President of Business Development & Account Management at DHL Supply Chain Germany, Alps & Nordics says: "We were very pleased when STADA approached us as this project perfectly encapsulates the Focus element of our Strategy 2020. It enables us to concentrate on our core compentecy of logistics whilst strengthening our customers' businesses. They need no longer deal with logistics considerations and can concentrate all of their efforts on their core business. We are enabling STADA to improve its position in the market. Each specialist offers their own specific expertise to create synergies and reduce costs."

As simple as it sounds, the deal called for much discussion and a willingness to look beyond individual points of view. "A common overall objective and a genuine willingness to compromise on the part of all parties – that was essential to achieving positive results", explains Dr Manfred Anduleit, Vice President of Corporate Governance & Corporate Compliance, who played a major role alongside STADA's Heinisch. The core project team consisted of around 20 individuals. Working groups were formed so that a variety of topics, including IT, pharmaceuticals legislation, security, customs clearance and finances, could be addressed at the same time. HR was also brought into the fold as the changes would directly affect employees.

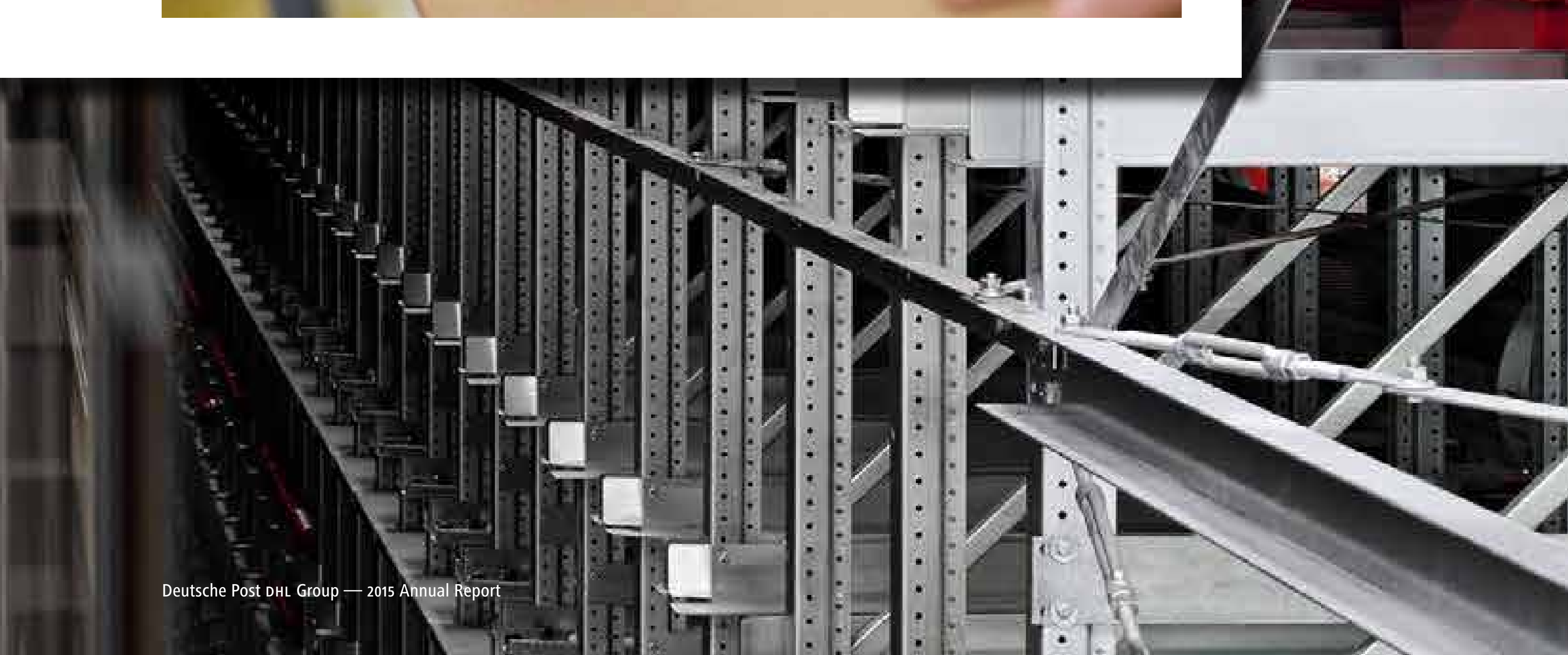
Heinisch continues: "The majority of STADA employees identify closely with the company. So it's natural to have concerns when some are asked to switch to another company." STADA did, however, manage to involve the employees at an early stage and was thus able to provide them with information and outline their long-term perspectives.

Winning trust was not only important with respect to the 144 men and women who moved from STADA to DHL, but also with regard to STADA's management board. "The decision to outsource our German logistics activities is one that will greatly impact our future business," Heinisch says. He noted that whilst concerns existed on both sides, as the project progressed it became clear just how much the two specialists in their respective fields could learn from each other.



The 350 square metres cold-storage facility has 400 pallet-storing positions. This is where the highly sensitive pharmaceutical products are stored at a constant temperature of between +2 and +8 degrees Celsius.

The pharmaceutical products are sorted into some 28,000 containers in the small-parts warehouse, where they are prepared for shipping. A total of 80 employees work two shifts a day in the warehouse in Florstadt.



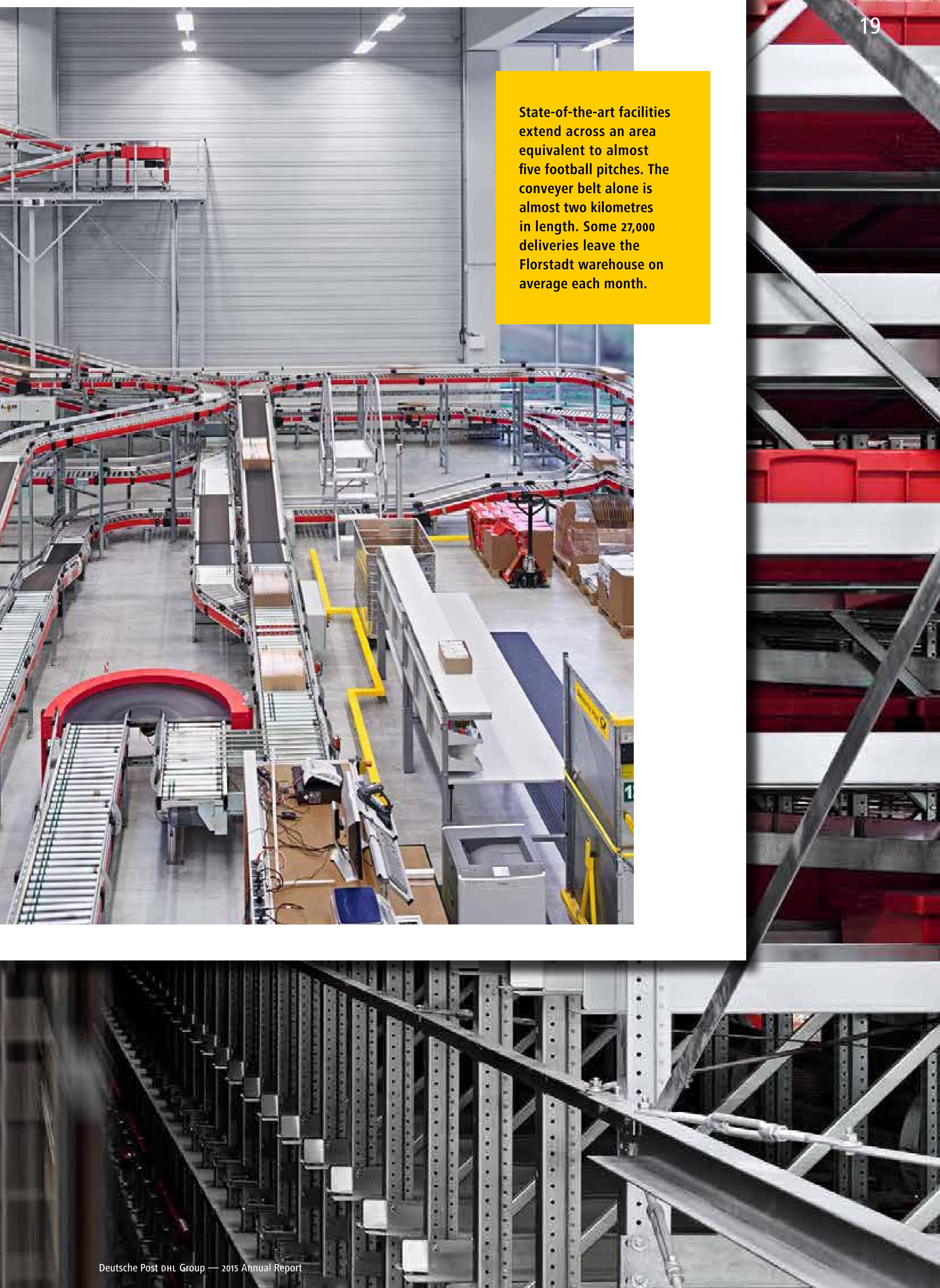
“We had numerous constructive discussions”, Heinisch continues. “For example, DHL asked questions about our logistics processes that never would have occurred to us. STADA, on the other hand, had a great deal of expertise regarding the regulatory situation in pharmaceuticals.” It took approximately one year from the first meeting until the transfer of STADA’s logistics operations took effect on 1 June 2015.

“The transfer went smoothly, not with a bang,” says Dr Anduleit. “Just as we’d hoped.” The subsequent months also went according to plan, testifying to the trust already gained whilst creating potential for the future. Indeed, STADA subsidiaries in various countries are currently conducting talks with DHL on future collaborations. There are also a number of plans for the Florstadt site. Activities include examining whether to replace STADA’s current IT system with DHL’s standard system so that processes can continue to be simplified and synergies generated.

There are also bigger plans in the pipeline: “We are currently working on a campus project in Florstadt in order to support STADA’s future growth whilst providing our Life Sciences & Healthcare expertise to other customers”, explains Wim Eringfeld.

“YOU GET TO A POINT WHERE YOU SIMPLY HAVE TO SAY IT’S TIME TO LET GO. WE PUT OUR TRUST IN DHL AND IT HAS PAID OFF.”

WOLFRAM HEINISCH, STADA



State-of-the-art facilities extend across an area equivalent to almost five football pitches. The conveyer belt alone is almost two kilometres in length. Some 27,000 deliveries leave the Florstadt warehouse on average each month.

The facility has an automatic small-parts warehouse, covering 1,600 square metres, which can hold up to 43,000 containers.

SELECTED KEY FIGURES

01

EBIT 2015

€2,411 million

Profit from operating activities.
(previous year: €2,965 million)

CONSOLIDATED NET PROFIT FOR THE PERIOD

€m

2015

1,540

2014

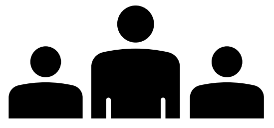
2,071

After deduction of non-controlling interests.

REVENUE 2015

€59,230 million

(previous year: €56,630 million)



EMPLOYEES

497,745

Headcount at the end of 2015, including trainees.
(previous year: 488,824)

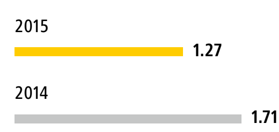
RETURN ON SALES 2015

4.1 %

(previous year: 5.2 %)

EARNINGS PER SHARE

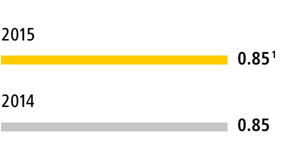
€



Basic earnings per share.

DIVIDEND PER SHARE

€



[1] Proposal.

		2014	2015	+/– %	Q4 2014	Q4 2015	+/– %
Revenue	€m	56,630	59,230	4.6	15,365	15,339	–0.2
Profit from operating activities (EBIT)	€m	2,965	2,411	–18.7	905	957	5.7
Return on sales[1]	%	5.2	4.1	–	5.9	6.2	–
EBIT after asset charge (EAC)	€m	1,551	877	–43.5	–	–	–
Consolidated net profit for the period[2]	€m	2,071	1,540	–25.6	640	670	4.7
Free cash flow	€m	1,345	1,724	28.2	1,114	1,705	53.1
Net debt[3]	€m	1,499	1,093	–27.1	–	–	–
Return on equity before taxes	%	26.3	19.7	–	–	–	–
Earnings per share[4]	€	1.71	1.27	–25.7	0.53	0.55	3.8
Dividend per share	€	0.85	0.85[5]	0.0	–	–	–
Number of employees[6]		488,824	497,745	1.8	–	–	–

[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Calculation Group Management Report, page 61.
[4] Basic earnings per share.
[5] Proposal.
[6] Headcount at the end of the year, including trainees.

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GROUP MANAGEMENT REPORT

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GENERAL INFORMATION

Business model and organisation

Four operating divisions

Deutsche Post DHL Group is the world's leading mail and logistics company operating under two strong brands: Deutsche Post is Europe's leading postal service provider. DHL is uniquely positioned in the world's growth markets, with a comprehensive range of international express, freight transportation, e-commerce and supply chain management services.

Deutsche Post AG is a listed corporation domiciled in Bonn, Germany. The Group is organised into the four operating divisions Post - eCommerce - Parcel, Express, Global Forwarding, Freight and Supply Chain, whose products and services we describe in the Business units and market positions chapter. Each of them is under the control of its own divisional headquarters and subdivided into functions, business units or regions for reporting purposes.

Page 25 ff.

We consolidate the internal services that support the entire Group, including Finance, IT, Procurement and Legal, 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.

Organisational structure of Deutsche Post DHL Group A.01

Deutsche Post DHL Group

Corporate Center

- **CEO**
  - Board member
    - Dr Frank Appel
  - Functions
    - Board Services
    - Corporate First Choice
    - Corporate Legal
    - Customer Solutions & Innovation
    - Corporate Office
    - Corporate Development
    - Corporate Executives
    - Corporate Heritage & Industry Associations
    - Corporate Communications & Responsibility
    - Corporate Public Policy & Regulation Management
- **Finance, Global Business Services**
  - Board member
    - Lawrence Rosen
  - Functions
    - Corporate Accounting & Controlling
    - Corporate Finance
    - Global Business Services: Procurement, Real Estate, Finance Operations, Legal Services etc.
    - Investor Relations
    - Corporate Audit & Security
    - Taxes
- **Human Resources**
  - Board member
    - Melanie Kreis
  - Functions
    - Corporate HR Germany
    - Corporate HR Standards & Programs
    - Corporate HR International
    - HR Post - eCommerce - Parcel
    - HR Express
    - HR Global Forwarding, Freight
    - HR Supply Chain
    - HR Finance, GBS, CSI, CC

Divisions

- **Post - eCommerce - Parcel**
  - Board member
    - Jürgen Gerdes
  - Business units
    - Post
    - eCommerce - Parcel
- **Express**
  - Board member
    - Ken Allen
  - Regions
    - Europe
    - Americas
    - Asia Pacific
    - MEA (Middle East and Africa)
- **Global Forwarding, Freight**
  - Board member
    - Dr Frank Appel
  - Business units
    - Global Forwarding
    - Freight
- **Supply Chain**
  - Board member
    - John Gilbert
  - Regions
    - EMEA (Europe, Middle East and Africa)
    - Americas
    - Asia Pacific

Organisational changes

On 27 April 2015, Roger Crook stepped down from the Board of Management. Until the appointment of a new board member for the Global Forwarding, Freight division, Deutsche Post DHL Group's CEO, Dr Frank Appel, has taken over the corresponding tasks in a dual role.

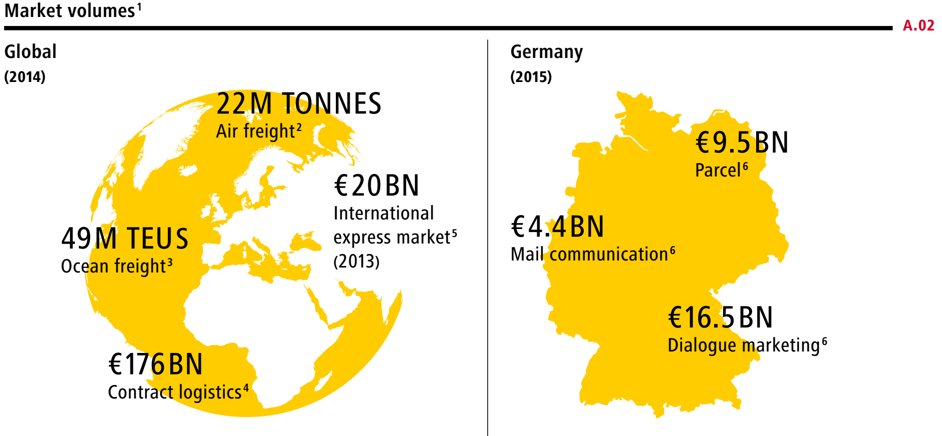
In the Supply Chain division's organisational structure the former Supply Chain and Williams Lea business fields were merged because the highest management body no longer manages them separately.

A presence that spans the globe

@ dpdhl.com/en/investors

Deutsche Post DHL Group operates in over 220 countries and territories. The most important locations can be found in the list of shareholdings. Table A.02 provides an overview of market volumes in key regions. Our market shares are detailed in the business units and market positions chapter.

Market volumes[1] A.02



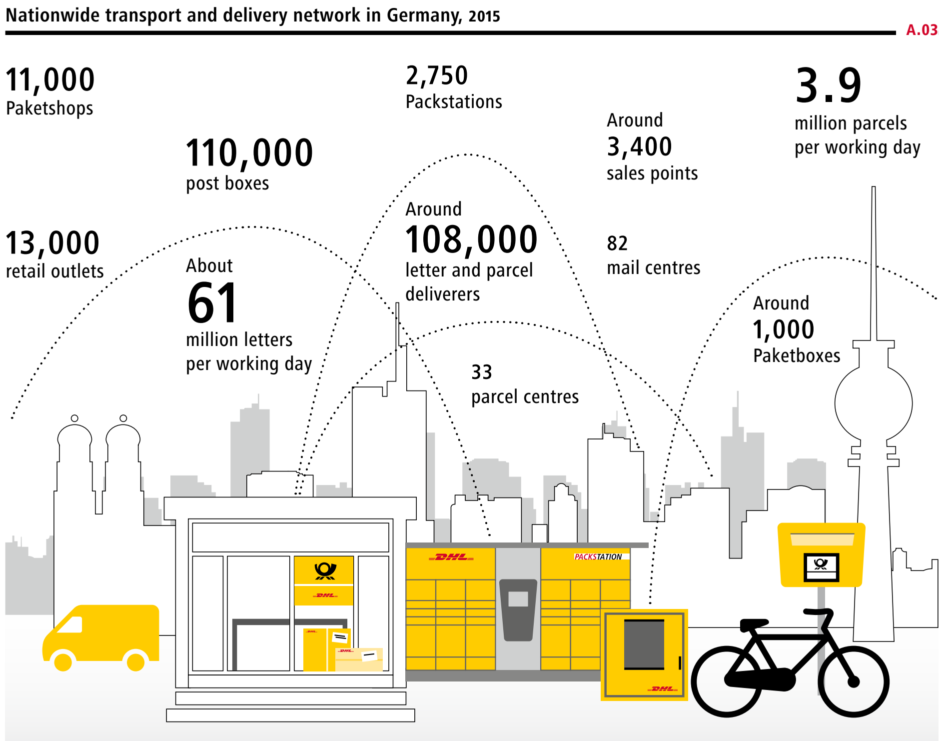
(2014)	Middle East/Africa	Americas	Europe	Asia Pacific
Air freight (m tonnes)[2]	1.3	5.0	5.6	9.7
Ocean freight (m TEUs)[3]	4.3	8.1	6.3	30.5
Contract logistics (€ bn)[4]	5.2	52.3	63.3	55.5
International express market (€ bn)[5]	–	7.2 (2013)	6.0 (2013)	6.5 (2013)
Road transport (€ bn)[7]	–	–	192	–

[1] Regional volumes do not add up to global volumes due to rounding.
[2] Data based solely upon export freight tonnes. Source: Seabury Cargo Advisory.
[3] Twenty-foot equivalent units; estimated part of overall market controlled by forwarders. Data based solely upon export freight tonnes. Source: Seabury Cargo Advisory. Previous year's figures not comparable because the data source has changed.
[4] Source: company estimates based upon Transport Intelligence.
[5] Includes express product Time Definite International. Country base: America, Europe, Asia Pacific, AE, SA, ZA (Global); BR, CA, CL, CO, CR, GT, MX, PA, PE, US (Americas); AT, DE, DK, ES, FR, IT, NL, RU, TR, UK (Europe); CN, HK, IN, JP, KR, SG (Asia Pacific). Source: Market Intelligence, 2014, annual reports and desk research.
[6] Only Germany. Source: company estimates.
[7] Total for 25 European countries, excluding liquids and bulky goods. Source: MI Study DHL 2015, based upon Eurostat, financial publications, copyright © IHS Global Insight, 2015. All rights reserved. Prior-year figures are not comparable because the country base has been expanded and the calculation model changed.

Business units and market positions

POST - ECOMMERCE - PARCEL DIVISION

Nationwide transport and delivery network in Germany, 2015 A.03



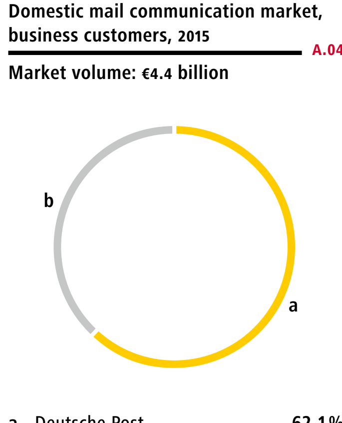
The postal service for Germany

We deliver about 61 million letters every working day in Germany, making us Europe's largest postal company. Our products and services are aimed at both private and business customers and range from physical, hybrid and electronic letters and merchandise to special services such as cash on delivery, registered mail and insured items. Our electronic communications platform E-POST allows companies, administrations and private customers to communicate securely and advantageously.

In the reporting year, the domestic market for business communications was around €4.4 billion (previous year: €4.6 billion). We look at the business customer market we compete in and include those companies that provide services to business customers. These include both companies targeting end customers and consolidators offering partial services. Our market share declined slightly to 62.1 % compared with the prior year (64.5 %). On 1 January 2015, we raised the price of a standard letter from €0.60 to €0.62 and reduced that of a compact letter from €0.90 to €0.85.

Domestic mail communication market, business customers, 2015 A.04

Market volume: €4.4 billion

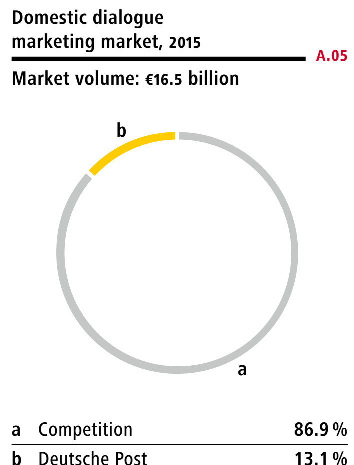


a	Deutsche Post	62.1 %
b	Competition	37.9 %

Source: company estimate.

Domestic dialogue marketing market, 2015 A.05

Market volume: €16.5 billion

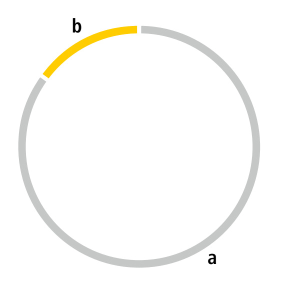


a	Competition	86.9 %
b	Deutsche Post	13.1 %

Source: company estimate.

International mail market (outbound), 2015 A.06

Market volume: €6.6 billion

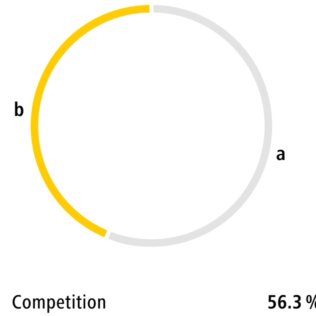


a	Competition	85.0 %
b	DHL	15.0 %

Source: company estimate.

Domestic parcel market, 2015 A.07

Market volume: €9.5 billion



a	Competition	56.3 %
b	DHL	43.7 %

Source: company estimate.

Targeted and cross-channel advertising

Our portfolio of dialogue marketing services allows advertisers to efficiently reach specific customer target groups. We offer end-to-end services from a single source – from address services to design and creative tools to print, shipment and advertising effectiveness measurement. Customer dialogue is cross-channel, personalised and automated. The management of dialogue campaigns can be fully automated so that digital and physical items with interrelated content reach recipients according to a co-ordinated timetable. Our digital services allow companies to determine their target groups by analysing the visits to their websites or online shops.

The German dialogue marketing market comprises advertising mail along with telephone and e-mail marketing. It shrank by 3% in 2015 to a volume of €16.5 billion, primarily because companies reduced advertising expenditure or shifted to online media. Our share of this highly fragmented declining market increased slightly to 13.1% (previous year: 13.0%).

Sending mail and merchandise internationally

We carry mail and light-weight merchandise shipments across borders and provide international dialogue marketing services. For business customers in key European mail markets, we offer international shipping services. Our innovative products set us apart from the competition. For example, we are developing international shipping solutions for consumers (B2C) in the growing e-commerce sector. Our portfolio also comprises consulting and services for all physical and digital dialogue marketing needs. Furthermore, we offer physical, hybrid and electronic written communications for international business customers. Customers outside Germany benefit from our expertise and experience in order to do business successfully in the German market.

The global market volume for outbound international mail was around €6.6 billion in 2015 (previous year: €6.4 billion). We were able to compensate for the decline in light-weight letters and press products through an increase in the proportion of heavier items. Our market share declined slightly year-on-year to 15.0%.

Worldwide portfolio of parcel and e-commerce services

We offer our customers a dense network of parcel acceptance points in Germany. Test projects such as the Parcelcopter and car drop delivery services underscore our innovative edge. Customers can choose whether they wish to receive their parcels during a specific delivery window, on the same day or as quickly as possible. Thanks to automated recipient services and intelligent infrastructure, they can also use our new parcel box units for apartment buildings to send and receive parcels safely from home around the clock. We help our business customers to grow their online retail businesses: our marketplace, Allyouneed.de, for example, provides an additional sales channel for small and medium-sized retailers. On request, we can cover the entire logistics chain through to returns management whilst our *2-Mann-Handling* service offers a solution for sending larger and heavier items ordered online. With the online supermarket AllyouneedFresh.com and the DHL Multibox, we also service the growing online grocery shopping segment.

The German parcel market volume totalled around €9.5 billion in 2015 (previous year: €8.8 billion). We expanded our market share to 43.7% (previous year: 43.0%).

We are offering e-commerce services in an increasing number of the most important markets around the world. In Europe, we began setting up our own delivery networks in Slovakia and Austria and in Sweden we acquired a nationwide parcel shop network from DHL Freight. We now have such networks in nine countries. Furthermore, we have connected around 10,000 Parcelshops and set up the first Packstations. Outside Europe, we expanded the portfolio of Blue Dart Express in India to cover delivery options to end customers, which included installing the country's first parcel collection station and introducing a mobile Parcelshop service. In the United States, we offer additional services, such as day-definite delivery. We have added e-commerce services to existing shipping routes in and out of the most important international markets, such as the development and operation of domestic online marketplaces as well as end-to-end order processing that includes warehousing, dispatching, customer service and marketing.

EXPRESS DIVISION

Express services in more than 220 countries and territories

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 90,000 employees provide services to more than 2.5 million customers. As a global network operator that applies standardised processes, we are consistently optimising our service to keep customer commitments, respond specifically to their wishes and always deliver the best possible quality.

Time-definite international shipments as our core business

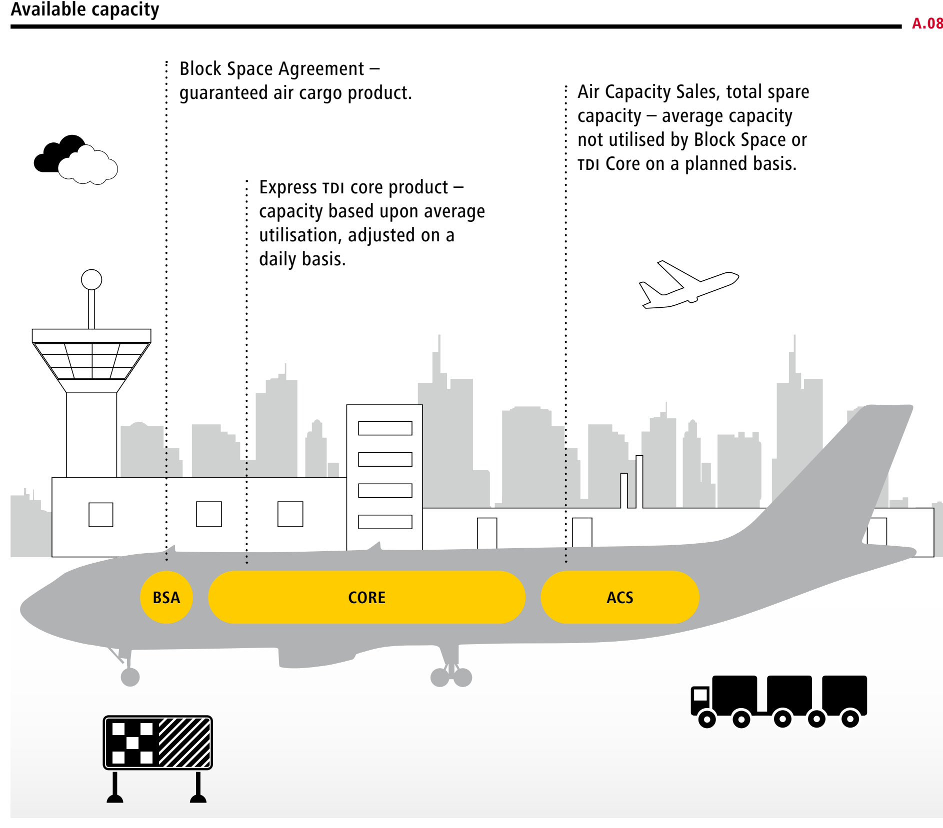
Our main product is Time Definite International (TDI), which is a pre-defined delivery service. We also provide industry-specific services to complement this product. Our Medical Express transport solution, which is tailored specifically to customers in the Life Sciences & Healthcare sector, for example, offers various types of thermal packaging for temperature-controlled, chilled and frozen content. Collect and Return is used predominantly by customers in high-tech industries: technical products are collected from the user, taken in for repairs and then returned.

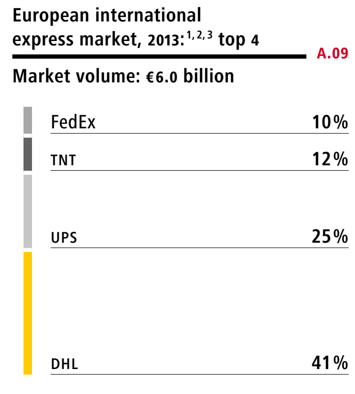
Our virtual airline

As an express service provider, we operate a global network consisting of several airlines, some of which we own 100%. With an annual average of 3.8 million transported tonnes, our virtual airline is one of the leading international air freight carriers.

The combination of our own and purchased capacities, which include varied terms of contract, allows us to respond flexibly to fluctuating demand. Figure A.08 illustrates how our available capacity is organised and offered on the market. The largest buyer of this freight capacity is the DHL Global Forwarding business unit.

We modernised the first part of our European fleet during the reporting year. The Boeing 757 aircraft we have put into operation are more efficient, have more capacity and are equipped with improved technology. This will reduce repairs whilst improving working conditions for flight personnel.





[1] Includes the TDI express product.
[2] Country base: AT, DE, DK, ES, FR, IT, NL, RU, TR, UK.
[3] Most recent market study.

Source: Market Intelligence 2014, annual reports and desk research.

International express business grew again

In the reporting year, the international express business again benefitted from e-commerce and the growing importance of small and medium-sized enterprises in international trade. The strong growth of our TDI product compared with the competition indicates that we have maintained our position as global market leader.

Expanding our network in the Europe region

Our express business in the Europe region performed well again during the reporting year. In 2013, we were the clear market leader. We are expanding our hub in Brussels, where we are creating new jobs and thus consolidating our position as an employer of repute in Belgium. We are also investing in the set up and expansion of facilities in countries such as Sweden, Germany and Turkey.

Improving service in the Americas region

We are also improving our services in the Americas region. On-going measures include the expansion of our hub in Cincinnati, whilst in Mexico we have significantly increased the number of service points. Internationally we have expanded our service to include a new direct weekly flight at the weekend, with Monday delivery, between the United States and Singapore as well as a further direct flight between China and the United States.

Supporting development in Asia

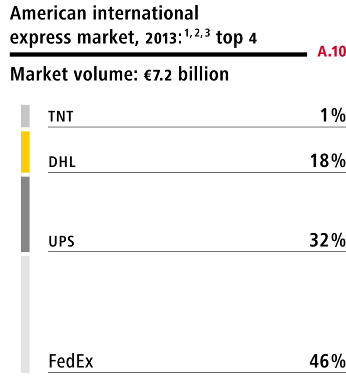
Despite the slower pace of economic growth, the Asia Pacific region remains an important market for us. In the reporting year, a new gateway was opened in Melbourne to support the intra-regional business to and from Australia. At Singapore's Changi Airport we are building a new hub with a fully automated sorting and processing system that will triple our throughput and greatly increase shipment sorting at this strategic location.

Reliable partner in the MEA region

The business in the MEA (Middle East and Africa) region witnessed positive development in 2015 as well, although the Middle East again suffered from enormous geopolitical influences. Despite the situation, we were able to achieve further growth and maintain our operations whilst adhering to legal requirements and ensuring the safety of our employees for the benefit of our customers. In the reporting year we began servicing Jordan, Egypt, Lebanon, Iraq and parts of Morocco with our own flights for the first time and we opened new facilities in Cairo. In sub-Saharan Africa we improved links between the individual countries and the global market whilst developing the necessary infrastructure. Furthermore, we increased the number of service points from 3,500 to 5,400 and expanded logistics facilities and transport systems.

American international express market, 2013:[1,2,3] top 4 A.10

Market volume: €7.2 billion

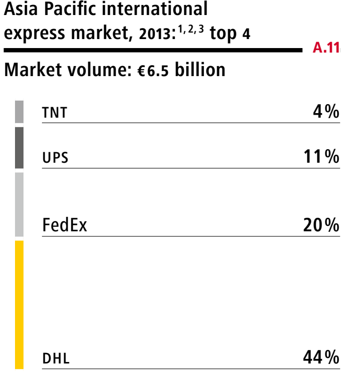


[1] Includes the TDI express product.
[2] Country base: BR, CA, CL, CO, CR, GT, MX, PA, PE, US.
[3] Most recent market study.

Source: Market Intelligence 2014, annual reports and desk research.

Asia Pacific international express market, 2013:[1,2,3] top 4 A.11

Market volume: €6.5 billion



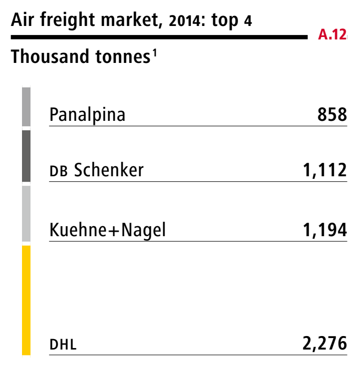
[1] Includes the TDI express product.
[2] Country base: CN, HK, IN, JP, KR, SG.
[3] Most recent market study.

Source: Market Intelligence 2014, annual reports and desk research.

GLOBAL FORWARDING, FREIGHT DIVISION

Air freight market, 2014: top 4 A.12

Thousand tonnes[1]

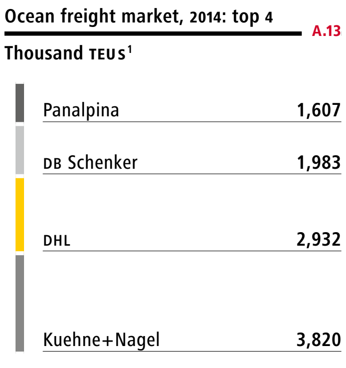


[1] Data based solely upon export freight tonnes.

Source: annual reports, publications and company estimates.

Ocean freight market, 2014: top 4 A.13

Thousand TEUs[1]



[1] Twenty-foot equivalent units.

Source: annual reports, publications and company estimates.

European road transport market, 2014: top 5 A.14

Market volume: €192 billion[1,2]

Kuehne+Nagel	1.3%
Dachser	1.7%
DSV	1.7%
DHL	2.2%
DB Schenker	3.3%

[1] Market size and shares include 25 European countries, excluding bulk and specialties transport.

[2] Figures not comparable to last year's based upon extended country scope and changed projection model.

Source: MI Study DHL 2015 (based upon Eurostat, financial publications, IHS Global Insight).

The air, ocean and overland freight forwarder

The Global Forwarding and Freight business units are responsible within the Group for air, ocean and overland freight transport. Our freight forwarding services not only include standardised transports but also multimodal and sector-specific solutions as well as individualised industrial projects.

Our business model is asset-light, as it is based upon the brokerage of transport services between our customers and freight carriers. Our global presence ensures network optimisation and the ability to meet the increasing demand for efficient routing and multimodal transports.

The leader in a sluggish air freight market

Growth in the global air freight market was sluggish during 2015 as air cargo volumes remained weak. IATA, the global airline industry association, attributes this development to the decline in trade activities, mostly in emerging markets. Overall, the worldwide freight tonne kilometres flown during the reporting year grew by only 2.2% according to IATA. In light of the weak volume development, the on-going expansion of capacity on the market increased pressure on the industry as commercial airlines again brought more wide-body passenger planes into service. Moreover, the strong peak season volumes seen in the fourth quarter failed to materialise in 2015. Overall, this led to a persistently weak market environment with stiffer competition and increased pressure on margins. After transporting around 2.3 million export freight tonnes in the previous year, we remained the air freight market leader in 2015.

Ocean freight market experiences surplus capacities and low freight rates

In the reporting year, the global ocean freight market saw slight growth again. Overall freight rates remained at a low level on the largest trade lanes. On the particularly important lane between Asia Pacific and Europe, rates remained at an extremely low level. The global market continues to face surplus capacities caused by the introduction of new and larger vessels. Although freight carriers have successfully limited the availability of this additional capacity – either by adjusting travel speeds, through blank sailings or capacity reallocations – low rates still prevailed throughout the market and affected profitability. After transporting 2.9 million twenty-foot equivalent units in the previous year, we remained the second-largest provider of ocean freight services in the reporting year.

Stagnation in European overland freight market

The European road freight market was virtually stagnant in 2015, after seeing slight growth in the prior year. Two opposing factors contributed to this development: a volume increase caused by the slight economic upturn in Europe and the current low oil price no longer supporting market growth as it had previously for years. In what remains a highly competitive environment, DHL was able to perform in line with the market by focussing exclusively upon organic growth.

SUPPLY CHAIN DIVISION

Customer-centric outsourcing solutions

As the world's leading contract logistics provider, we create a competitive advantage for our customers in the supply chain business by delivering customised logistics solutions based upon globally standardised modular components including warehousing, transport and value-added services.

Contract logistics for a complex global marketplace

A highly complex and rapidly changing global marketplace is the source of unprecedented change for the supply chain industry and its customers. Stand-alone warehousing and transport operations cannot adequately respond to the fast pace of business and growing interconnectedness created by global commerce. Our core business in Supply Chain requires increasingly integrated and sophisticated logistics solutions that combine value-added and management services with traditional fulfilment and distribution offerings. Planning, sourcing, vendor management, production, kitting, packaging, repairs, returns and recycling are the new norm in contract logistics solutions. Through global standardisation and innovative offerings, such as service logistics and real estate solutions, Supply Chain's business will further consolidate its established leadership position in global contract logistics.

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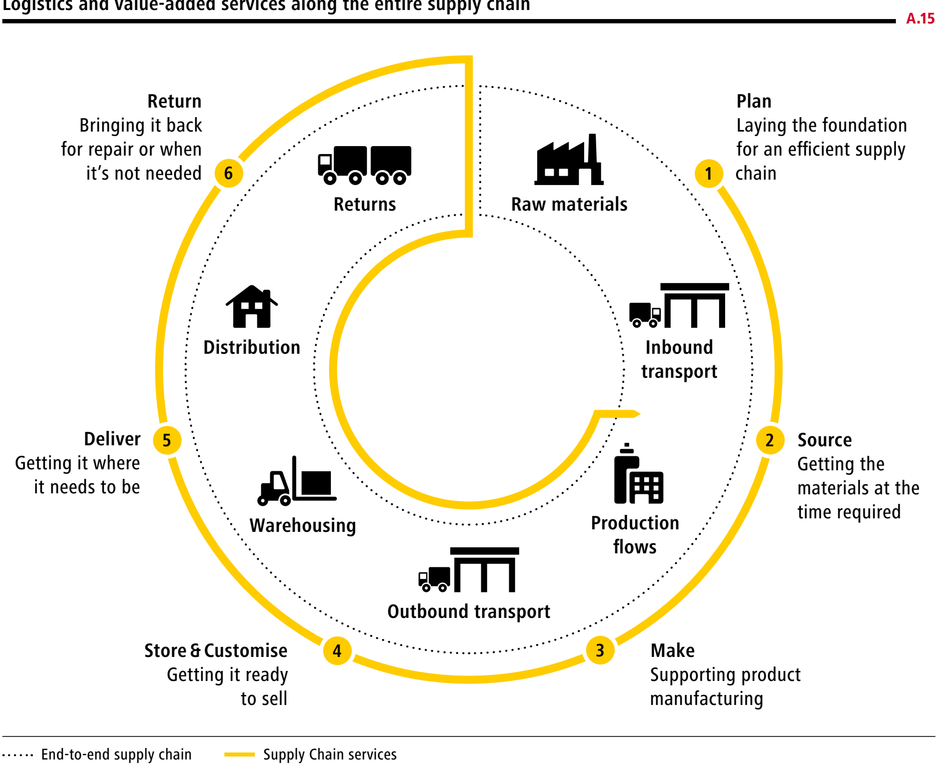
Logistics and value-added services along the entire supply chain A.15



Contract logistics market, 2014: top 10 A.16

Market volume: €176 billion

Company	Market share
SNCF Geodis	1.1%
Neovia	1.1%
DB Schenker Logistics	1.1%
UPS	1.1%
Rhenus AG	1.2%
Hitachi	1.6%
Norbert Dentressangle[1]	1.8%
CEVA	1.8%
Kuehne+Nagel	2.1%
DHL	7.4%

[1] Now part of XPO Logistics Inc.; aquired in June 2015.

Source: Transport Intelligence; Revenue figures are estimates based upon gross revenue with external customers; exchange rates as at 2014.

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Glossary, page 208

Increasing market share in growth markets

DHL remains the global market leader in contract logistics, with a market share of 7.4% (2014) and operations in more than 50 countries. The top ten players only account for around 20.3% of an estimated €176 billion market. We lead the market in mature regions such as North America and Europe and are well positioned in rapidly growing markets such as India and emerging markets throughout the Asia Pacific region. Our global scale, standardised solutions and local knowledge are supported by on-going investments in infrastructure and our employees in these key markets, strengthening our local capacity for growth.

Industry expertise in key sectors and products

Customers value the innovation derived from our breadth of knowledge and depth of expertise in the Automotive, Life Sciences & Healthcare, Technology, Engineering & Manufacturing and Energy sectors. Specialised sector solutions with a global focus on Life Sciences & Healthcare, Automotive and Technology will allow us to capitalise on market opportunities and accelerate growth.

The Life Sciences & Healthcare sector is increasingly outsourcing parts of its supply chains to providers who can ensure compliance with stringent regulatory requirements. Rising demand for packaging services, temperature-assured transport, warehousing and direct-to-market solutions is driving growth in this sector.

Automotive sector growth remains strong in North America and Europe, with continued leverage of Supply Chain's in-plant and aftermarket logistics. Production is shifting increasingly to emerging markets such as China, India and Brazil, where we are making targeted investments to strengthen our market position. Integrated solutions such as Lead Logistics Provider (LLP) offer sustainable growth opportunities in this highly competitive outsourcing sector.

Service logistics, technical services and LLP continue to be focus areas of growth for the Technology sector. Responsive solutions that allow our customers to adapt to dynamic market conditions are creating business opportunities in both mature and emerging markets.

Objectives and strategies

CORPORATE STRATEGY

Strategy 2020 sets priorities for our investments and actions

Our "Strategy 2020: Focus. Connect. Grow." underscores Deutsche Post DHL Group's goal of becoming the company that defines the logistics industry. In view of the tense political situation in parts of the world as well as changed expectations on economic growth, especially in China, we reviewed our initial situation again in 2015. We reaffirm that increasing digitalisation, accelerated growth in the e-commerce segment and momentum in developing and emerging countries offer us significant opportunities. In line with our strategy, the following priorities for investments and actions have been set to date:

Focus: We are concentrating on our core mail and logistics business and pursuing our goal of being the provider, employer and investment of choice. In order to manage important elements better, we have adjusted our annual employee opinion survey. Furthermore, we are committed to social responsibility and have set goals and benchmarks accordingly. We see ourselves as a family of different divisions, each focused upon defined markets and goals. During the reporting year, we successfully initiated a number of strategic changes, including a wage agreement for Deutsche Post AG in Germany, restructuring in the Supply Chain division and the IT renewal in the Global Forwarding business unit.

Employees, page 72
Corporate responsibility, page 75 ff.
Employees, page 74

Connect: We are further increasing connectivity within our organisation in order to deliver consistent, first-class service to our customers. The central component of this is Certified, our Group-wide initiative that enables all employees to gain specific skills and knowledge relevant to their roles. Every employee in the Group is to be certified. The employee motivation and customer-centric culture this fosters – not to mention the improved, holistic understanding of operational processes – help to differentiate our services in the market internationally. We developed many new modules and began the global launch during the reporting year. In addition, we are developing collaborative Group-wide platforms and processes, for example, in the areas of operations, increased digitalisation and leadership development.

Grow: We are strengthening our Group-wide growth initiatives, especially in the e-commerce segment and in developing and emerging markets with higher structural growth. For instance, we have invested in the domestic and cross-border parcel business in Europe as well as in our already comprehensive Express network. Our general objective is to increase our presence where the long-term growth potential is greatest. Indeed, we aim to generate a minimum of 30% of Group revenue in emerging markets by the year 2020. During the coming years we shall develop and assess further initiatives intended to accelerate our company's growth.

Our strategy is designed to establish a unique market presence by the year 2020 – both geographically and in terms of our portfolio's performance. Our aim is to be internationally renowned not only as a highly customer-centric company but also as quality leaders. When people think logistics, we want them to think Deutsche Post DHL Group.

STRATEGY AND GOALS OF THE DIVISIONS

Post - eCommerce - Parcel division

The following strategic approaches outline how we aim to meet the challenges facing our business and help drive the implementation of our corporate strategy.

Designing a market-based cost structure: To achieve this goal, we are adapting our networks to changing market conditions and shipment structures. We are also cutting costs wherever possible and sensible, whilst investing in innovation and growth areas. Our Parcel Production Concept has made our sorting and transport more efficient. Founding regional companies under the umbrella of DHL Delivery GmbH with competitive market cost structures ensures our competitiveness.

Providing the highest quality to our customers: We offer our customers the best service at all times, at the highest level of quality and at reasonable prices, whilst at the same time protecting the environment. To this end, we are modernising the sorting equipment and IT architecture in our mail network on an on-going basis. We are also investing in our parcel network and continually adapting it to increasing volumes. Our goal is to ensure that customers also receive 95% of all parcels sent in Germany the next day. We operate by far the largest network of fixed-location retail outlets in Germany and offer recipient services that make it considerably easier for our customers to send and receive parcels. Furthermore, we are expanding our successful co-operation with retailers, particularly by way of our Paketshops.

Fostering and motivating employees: The key to high quality and high performance is happy and dedicated employees. That's why we not only equip our workforce with state-of-the-art tools; we also offer wages well above those paid by our competitors. In addition to numerous function-specific training measures, until 2020 we shall be carrying out standardised and interactive basic training for all of the division's employees around the world, to prepare them for the challenges ahead.

Tapping into new online and offline markets: We are taking advantage of our expertise in physical communications to offer effective digital communications. Our customers are able to calculate and purchase postage and also locate retail outlets and Packstations online and by mobile device. We are also investing in growth areas in all our businesses: over and above our E-POST product, we are a leading provider of target-group marketing in digital media, provide advertisers with consistent, cross-channel targeting, are the first parcel delivery service in Germany to operate its own shopping portals and have taken our expertise in transport and network management into the deregulated coach market with the Postbus. Our eCommerce - Parcel business unit is continuously being internationalised. In a number of new markets, we intend to go beyond delivery services to offer domestic value-added e-commerce services. In the reporting year, we opened up three new markets: Slovakia, Austria and Sweden.

EXPRESS division

In line with our strategic programme Focus, we have stabilised and expanded our business, increased our market share, strengthened our margin and merged individual elements of our business in recent years. In the reporting year, our focus was upon realigning the division as a self-renewing organisation in line with Group strategy.

Managing revenue and costs: Our return on sales rises when growing volumes lead to economies of scale in the network, innovation and automation improve productivity and costs are strictly managed. We minimise indirect costs through simplified and standardised processes. For example, we are streamlining our IT system architecture step by step, whilst ensuring adherence to global standards and quality requirements, especially as regards facilities and operating materials.

Structuring sales and prices: Using global campaigns, we specifically target small and medium-sized businesses which could benefit the most from increasing exports. We concentrate upon items whose size and weight optimally match our network and thereby create economies of scale. In terms of our pricing policy, we encourage global co-ordination and discipline. At the same time we work to continuously improve our customer approach. Our Insanely Customer Centric Culture programme is intended to resolve problems more quickly and meet customer expectations more effectively.

Customers and quality, page 80

Managing the network: Most of our costs are attributable to the air and ground network. We replace old aeroplanes with newer, more efficient, and thus more cost-effective aircraft. We sell available cargo space to freight and forwarding companies, especially to DHL Global Forwarding, improving our network utilisation and reducing costs in the process. On the ground, we are automating and standardising processes. For example, vehicles are equipped with shelves as standard and can be loaded directly from the conveyor belt. We also plan our pick-up and delivery routes to maximise time and cost savings.

Motivating our workforce: Our Certified International Specialist (CIS) training programme ensures that our employees have the requisite knowledge of the international express business at their disposal. Training is both functional and cross-functional, and it is carried out by our own employees, some of whom are executives. This adds to mutual understanding whilst reinforcing a team atmosphere and loyalty within the division. The modules under the Certified International Manager (CIM) umbrella are for executives and strengthen the unified leadership culture within the division. Our CIM Supervisory Excellence programme offers training tailored to lower-level management. We want to sustainably motivate our employees around the world. Systematic recognition of outstanding performance is one way of contributing to this. Our certification as a Top Employer Global 2015 from the Top Employers Institute shows that we are on the right path.

GLOBAL FORWARDING, FREIGHT division

In the Global Forwarding business unit, we intend to tackle business challenges and revive performance with a comprehensive turnaround plan, which comprises twelve initiatives with three focal points: re-empowering the countries, turning around results and driving a business-centric IT renewal. We are also working to continuously improve the division's quality of service.

Re-empowering the countries: In the Global Forwarding business unit, we have introduced various measures aimed at re-empowering the organisation. Structures are being adjusted to grant countries more flexibility in their daily operations and to create better accountability.

Turning around results: A number of initiatives are being implemented to improve operating performance. The top priority is increasing our gross earnings. To do this, we shall increase the profitability of contracts through optimised end-to-end shipment management coupled with improved revenue management. In addition, we intend to bring direct and indirect costs in line with our business performance whilst, at the same time, implementing measures geared at bringing productivity back to or beyond the level achieved in previous years.

Driving a business-centric IT renewal: IT in the Global Forwarding business unit will be renewed in accordance with the IT Renewal Roadmap adopted in October 2015, which calls for a step-by-step process to replace systems and upgrade the IT set-up. This will rely on a flexible IT architecture that leverages and enhances existing systems whilst incorporating advanced "off-the-shelf" solutions that have been proven within the freight forwarding sector. The goal is to develop business-centric IT that best supports progress in our operating performance. Better capture, display and management of processes are expected to increase transparency, whilst an electronic document management system will reduce paper-based workflows.

Improving quality of service: In the Global Forwarding business unit, we are working continuously to improve our overall service quality and ensure a uniform service level within the network. In the Freight business unit, we extended our Premium LTL Service Eurapid accordingly. It is now available at 100 terminals and over 90% of our network shipments across Europe run through it. We intend to upgrade our entire European road freight network to this standard.

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SUPPLY CHAIN division

We want to remain the Supply Chain solutions company for the world. To achieve this vision, we introduced "Strategy 2020: Focus. Connect. Grow.", a plan to accelerate future growth and define the contract logistics industry. In the reporting year, we invested in multiple projects under the umbrella of Strategy 2020, which were executed as planned and are thus making important progress towards our goals.

Our Focus agenda is aimed at increasing our efficiency and quality through standardisation and reducing complexity. We intend to adopt best-in-class operating standards and roll them out worldwide. We also aim to establish a globally harmonised process to facilitate innovative and customer-centric solutions. By applying First Choice methodology and our best-practice solutions, we aim to improve our operational performance.

The Connect pillar is about connecting our people and processes to achieve efficiency gains on a global scale. A lean management structure and the use of shared service centres will improve our cost structure and establish industry-wide best-in-class functions. The Certified Supply Chain Specialist programme empowers and motivates our employees worldwide to perform at their best.

Finally, the Grow pillar focuses upon shifting our portfolio to address those market segments that offer the most potential for higher profitability and stronger growth. The inclusion of more value-added services in our portfolio will help drive this shift. Likewise, a pivot towards global business models for key sectors, such as Life Sciences & Healthcare, will help accelerate future growth.

Group management

FINANCIAL PERFORMANCE INDICATORS

Impact on management compensation

Deutsche Post DHL Group uses both financial and non-financial performance indicators in its management of the Group. The monthly, quarterly and annual changes in these indicators are compared with the prior-year data and the forecast data to assist in making management decisions. The year-to-year changes in financial and non-financial performance metrics portrayed here are also particularly relevant for calculating management remuneration. The Group's financial performance indicators are intended to preserve a balance between profitability, an efficient use of resources and sufficient liquidity. The performance of these indicators in the reporting year is described in the Report on economic position.

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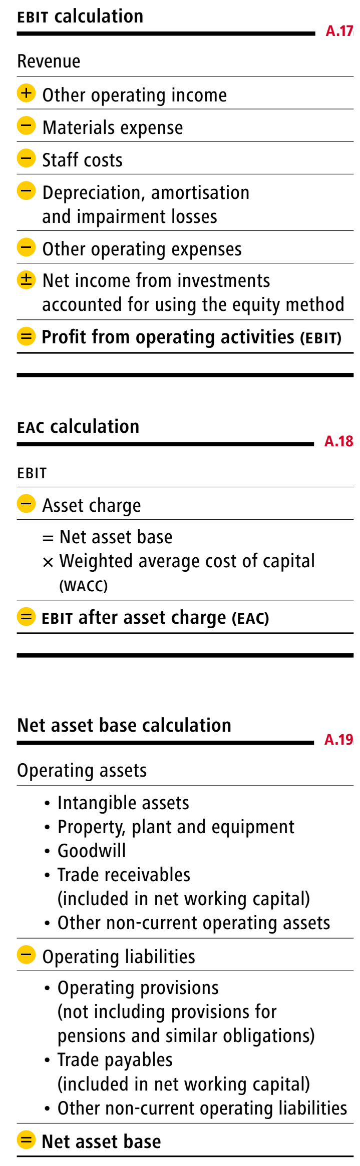
Profit from operating activities measures earnings power

The profitability of the Group's operating divisions is measured as profit from operating activities (EBIT). EBIT is calculated by deducting materials expense and staff costs, depreciation, amortisation and impairment losses, as well as other operating expenses from revenue and other operating income, and adding net income from investments accounted for using the equity method. Interest and other finance costs/other financial income are deducted from or added to net financial income/net finance costs. To enable a comparison of divisions, the return on sales is calculated as the ratio of EBIT to revenue.



EBIT calculation A.17

Revenue
+ Other operating income
– Materials expense
– Staff costs
– Depreciation, amortisation and impairment losses
– Other operating expenses
± Net income from investments accounted for using the equity method
= **Profit from operating activities (EBIT)**

EAC calculation A.18

EBIT
– Asset charge = Net asset base × Weighted average cost of capital (WACC)
= **EBIT after asset charge (EAC)**

Net asset base calculation A.19

Operating assets • Intangible assets • Property, plant and equipment • Goodwill • Trade receivables (included in net working capital) • Other non-current operating assets
– Operating liabilities • Operating provisions (not including provisions for pensions and similar obligations) • Trade payables (included in net working capital) • Other non-current operating liabilities
= **Net asset base**

EBIT after asset charge promotes efficient use of resources

Since 2008, the Group has used EBIT after asset charge (EAC) as an additional key performance indicator. EAC is calculated by subtracting the cost of capital component, or asset charge, from EBIT. Making the asset charge a part of business decisions encourages the efficient use of resources and ensures that the operating business is geared towards increasing value sustainably whilst generating increasing cash flow.

The asset charge is calculated on the basis of the weighted average cost of capital, or WACC, which is defined as the weighted average net cost of interest-bearing liabilities and equity, taking into account company-specific risk factors in accordance with the Capital Asset Pricing Model.

A standard WACC of 8.5% is applied across the divisions. That figure also represents the minimum target for projects and investments within the Group. The WACC is generally reviewed once annually on the basis of the current situation on the financial markets. However, the goal is not to match every short-term change, but to reflect long-term trends. To ensure better comparability with previous figures, in 2015 the WACC was maintained at a constant level compared with the previous years.

The asset charge calculation is performed each month so that fluctuations in the net asset base can also be taken into account during the year. Table A.19 shows the composition of the net asset base.

Calculation of free cash flow A.20

EBIT
+ Depreciation, amortisation and impairment losses
± Net income/loss from disposal of non-current assets
± Non-cash income and expense
± Change in provisions
± Change in other non-current assets and liabilities
+ Dividends received
± Income taxes paid
= Operating cash flow before changes in working capital (net working capital)
± Changes in net working capital
= Net cash from/used in operating activities (operating cash flow – OCF)
± Cash inflow/outflow arising from change in property, plant and equipment and intangible assets
± Cash inflow/outflow arising from acquisitions/divestitures
± Net interest paid
= Free cash flow (FCF)

Ensuring sufficient liquidity

Along with EBIT and EAC, cash flow is another key performance metric used by Group management. The cash flow performance metric is targeted at maintaining sufficient liquidity to cover all of the Group's financial obligations from debt repayment and dividends, in addition to operating payment commitments and investments. Cash flow is calculated using the cash flow statement. Operating cash flow (OCF) includes items that are related directly to operating value creation. OCF is calculated by adjusting EBIT for changes in non-current assets (depreciation, amortisation and (reversals of) impairment losses, net income/loss from disposals), other non-cash income and expense, dividends received, taxes paid, changes in provisions and other non-current assets and liabilities. Net working capital remains a driver for OCF. Effective management of net working capital is an important way for the Group to improve cash flow in the short to medium term. Free cash flow (FCF) is calculated on the basis of OCF by adding/subtracting the cash flows from capital expenditure, acquisitions and divestitures as well as net interest paid. Free cash flow is regarded as an indicator of how much cash is available to the company at the end of a reporting period for paying dividends or repaying debt. Given its greater relevance for the Group's management and stakeholders, we began using FCF instead of OCF as a financial performance indicator in 2015.

NON-FINANCIAL PERFORMANCE INDICATORS

Results of Employee Opinion Survey used as a management indicator

Our annual worldwide Employee Opinion Survey shows us how we are perceived as a group from the perspective of our employees. We place particular significance on the survey's indication of Employee Engagement and of how employees rate the leadership behaviour of their superiors. The Active Leadership indicator is thus used in the calculation of bonuses for our executives. The results of the Employee Opinion Survey carried out in the reporting year can be found in the Employees section.

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Greenhouse gas efficiency is an additional performance metric

Given that our GoGreen environmental protection programme is targeted at improving greenhouse gas efficiency, we have, as previously announced, increased transparency in this area. We measure greenhouse gas efficiency using a carbon efficiency index (CEX). CEX is based upon the business unit-specific emission intensity figures, which are indexed to the base year and indicate the ratio of the respective emissions to a matching performance indicator. CEX was adopted as a management indicator of non-financial performance this reporting year. The bases for calculation and the figures obtained for the reporting year are provided in the section on Corporate responsibility.

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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 2015, the company's share capital totalled €1,212,753,687 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 upon 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 recognised as shareholders by the company. 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 invest in each tranche of the plan, preferably in Deutsche Post AG shares but alternatively in cash. 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

The Federal Republic of Germany holds an indirect stake in Deutsche Post AG via KfW Bankengruppe (KfW), Frankfurt am Main, and is our largest shareholder, holding around 21% of the share capital. 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 approve amendments to the Articles of Association in cases where the amendments affect only the wording.

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

The Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 236,267,019 new, no-par value registered shares on or before 28 May 2018 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital by up to €236,267,019.00 (Authorised Capital 2013, article 5 (2) of the Articles of Association). When new shares are issued on the basis of Authorised Capital 2013, the shareholders are entitled in principle to 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 2013 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. Authorised Capital 2013, which originally amounted to €240 million, was used in the amount of €2,164,388.00 in financial year 2014 and in the amount of €1,568,593.00 in financial year 2015.

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, in an aggregate principal amount of up to €1 billion, on one or more occasions on or before 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 aforementioned authorisation was utilised in the full amount in December 2012 by issuing a convertible bond in the aggregate principal amount of €1 billion.

In financial year 2015, 4,832 shares were issued for the first time to holders of bonds after exercise of their conversion options. As at 31 December 2015, the share capital had been increased on a contingent basis by up to €74,995,168.00 for the purpose of granting shares to the holders or creditors of the options, conversion rights or conversion obligations arising from the resolution of 25 May 2011 after exercise of their rights in order to settle the entitlements related to the options or rights or to fulfil the conversion obligations (Contingent Capital 2011, article 5 (3) of the Articles of Association).

An AGM resolution was passed on 29 May 2013 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 €1.5 billion, on one or more occasions on or before 28 May 2018, thereby granting options or conversion rights for up to 75 million shares with a total share in the share capital not to exceed €75 million. The bond conditions may also stipu-

late an obligation to exercise options or conversion rights or may entitle the 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 owed, either at the time of maturity of the bonds or at another time. The share capital is increased on a contingent basis by up to €75 million in order to grant shares to the holders or creditors of the bonds after exercise of their options or conversion rights or to fulfil their option or conversion obligations, or to grant them shares in lieu of monetary payment in accordance with the bond conditions (Contingent Capital 2013, article 5 (4) of the Articles of Association). When issuing bonds, 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 7 of the AGM of 29 May 2013.

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 conditions 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. To date, the Board of Management has not exercised this authority.

An AGM resolution was passed on 27 May 2014 authorising the Board of Management to issue up to 40 million performance share units with pre-emptive subscription rights to a total of up to 40 million shares with a total share in the share capital not to exceed €40 million, subject to the provisions of the authorisation resolution, on or before 26 May 2019 to members of the management of entities in which the company is the majority shareholder and to executives of the company and the entities in which it is a majority shareholder. The performance share units may also be issued by entities in which the company is the majority shareholder with the consent of the Board of Management. The issue of shares arising from the subscription rights associated with the performance share units depends upon certain performance targets being met after expiry of a four-year waiting period, with it being possible to issue up to four shares for every six subscription rights granted, if and insofar as performance targets for the share price, which have been specified in detail, are met, and up to two shares if and insofar as certain outperformance targets based upon the percentage change of the STOXX Europe 600 Index are met. The share capital is increased on a contingent basis by up to €40 million in order to grant shares in the company to the executives entitled to subscription rights, in accordance with the provisions of the authorisation resolution (Contingent Capital 2014, article 5 (5) of the Articles of Association). Further details may be found in the motion adopted by the AGM under agenda item 8 of the AGM of 27 May 2014.

As at 31 December 2015, 8,483,124 performance share units, which were issued in financial years 2014 and 2015, were outstanding.

Finally, the AGM of 27 May 2014 authorised the company to buy back shares on or before 26 May 2019 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 shares purchased may be used for any legally permissible purpose. In addition to a sale via the stock exchange or by public offer to all shareholders, it is permitted in particular to use

the shares with pre-emptive shareholder subscription rights disapplied in accordance with the provisions of the authorisation resolution or to call in the shares without an additional resolution of the Annual General Meeting. Further details may be found in the motion adopted by the AGM under agenda item 6 of the AGM of 27 May 2014.

In addition to this, the AGM of 27 May 2014 also authorised the Board of Management, within the scope specified in agenda item 6, to acquire treasury shares, including through the use of derivatives. This is to occur 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), as a result of purchase agreements where there are more than two trading days between conclusion of the purchase agreement for Deutsche Post shares and servicing by way of the delivery of Deutsche Post shares (forward purchases) or by servicing or exercising a combination of put options, call options and/or forward purchases. All share acquisitions using the aforementioned derivatives are limited to a maximum of 5% of the share capital existing on the date of the resolution. The term of the individual derivatives may not exceed 18 months, must expire by no later than 26 May 2019 and be selected such that treasury shares may not be acquired by exercising the derivatives after 26 May 2019. Further details may be found in the motion adopted by the AGM under agenda item 7 of the AGM of 27 May 2014.

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 share repurchase in an advantageous manner.

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 in 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 in control

Deutsche Post AG has taken out a syndicated credit facility with a volume of €2 billion from a consortium of banks. If a change in control 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 to request repayment. The terms and conditions of the bonds issued under the Debt Issuance Programme established in March 2012 and of the convertible bond issued in December 2012 also contain change in control clauses. In the event of a change in control within the meaning of the terms and conditions, creditors are, under certain conditions, granted the right to demand early redemption of the respective bonds. Furthermore, a framework agreement exists concerning the supply of fuel, based upon which fuel in the value of a high double-digit million amount was obtained in the reporting year and which, in the event of a change in 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 at the end of a given month, and to terminate their Board of Management contract (right to early termination). If the right to early termination is exercised or a Board of Management contract is terminated by mutual consent within nine months of the change in 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 the cap pursuant to the recommendation of No. 4.2.3 of the German Corporate Governance Code, subject to the specifications 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. The participating executives will receive the total number of matching shares corresponding to their investment in due course. In such case, the employer will be responsible for any tax disadvantages resulting from reduction of the holding period. Exempt from this are taxes normally incurred after the holding period.

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 115 ff.

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.

REPORT ON ECONOMIC POSITION

Overall Board of Management assessment of the economic position

Earnings within expectations in a year of transition

Deutsche Post DHL Group increased revenue in financial year 2015 by €2.6 billion, due to positive currency effects. The German parcel business in the Post - eCommerce - Parcel (PeP) division and the international business in the Express division continued to generate dynamic growth. Earnings were impacted adversely by losses in the Global Forwarding, Freight division resulting from the re-orientation of its transformation process and by restructuring costs in the Supply Chain division. Earnings in the PeP division also suffered from the effects of the strike in Germany. By contrast, free cash flow performed well, posting a significant increase. From the perspective of the Board of Management, this testifies to the sound financial position of the Group.

Forecast/actual comparison

Forecast/actual comparison A.21

	Targets 2015	Results 2015	Targets 2016
EBIT	• Group: at least €2.4 billion[1]. • PeP division: at least €1.1 billion[1]. • DHL divisions: at least €1.65 billion[1]. • Corporate Center/Other: around €–0.35 billion.	• Group: €2.41 billion. • PeP division: €1.10 billion. • DHL divisions: €1.66 billion. • Corporate Center/Other: €–0.35 billion.	• Group: €3.4 billion to €3.7 billion. • PeP division: more than €1.3 billion. • DHL divisions: €2.45 billion to €2.75 billion. • Corporate Center/Other: €–0.35 billion.
EAC	Will develop in line with EBIT[1].	Developed in line with EBIT and decreased.	Will develop in line with EBIT and increase substantially.
Cash flow	Free cash flow to cover at least dividend payment of €1,030 million in May 2015.	At €1,724 million free cash flow significantly exceeded dividend payment.	Free cash flow to more than cover dividend payment in May 2016.
Capital expenditure (capex)	Increase investments to around €2.0 billion.	Invested: €2.02 billion.	Increase investments to around €2.2 billion.
Dividend distribution	Pay out 40% to 60% of the net profit as dividend.	Proposal: pay out 46.0% of the adjusted[2] net profit as dividend.	Pay out 40% to 60% of the net profit as dividend.
Employee Opinion Survey	Increase approval rating of key performance indicator Active Leadership to 72%.	Key performance indicator Active Leadership achieves an approval rating of 72%.	(Employee Opinion Survey[3]) Increase approval rating of key performance indicator Active Leadership by a percentage point.
Greenhouse gas efficiency	Introduce carbon efficiency index (CEX) in the company as a non-financial indicator relevant for internal management.	CEX improved to 25 index points (previous year: 24).	CEX will increase by one index point.

[1] Forecast decreased over the course of the year. [2] NFE and strike-related effects, disposals of equity investments and other one-off effects, some of which are based upon assumptions by management. [3] Questionnaire changed compared with the previous year, different initial value page 72.

Economic parameters

Global economy records weak growth

Growth in the global economy saw a slowdown in 2015. Whereas the economic recovery picked up slightly in the industrial countries with average gross domestic product (GDP) growth of 1.9%, growth in the emerging markets declined to 4.0%, well below the previous year's level. One of the main contributors to the downturn was the severe recessions in a number of major threshold economies resulting from falling commodities prices and international conflicts. After adjustment for purchasing power, global economic output grew by 3.1% (previous year: 3.4%). Growth in global trade was also relatively moderate, whereby the estimates vary (IMF: 2.6%; OECD: 2.0%).

Global economy: growth indicators in 2015 A.22

%	Gross domestic product (GDP)	Exports	Domestic demand
China	6.9	–2.8	n.a.
Japan	0.5	2.7	0.0
USA	2.4	1.1	3.0
Euro zone	1.5	5.0	1.5
Germany	1.7	5.4	1.6

Data estimated in some cases, as at 16 February 2016.
Source: Postbank, national statistics.

Asia again provided the strongest economic momentum. However, GDP growth dropped to 6.6%, down from the prior-year figure of 6.8%. The Chinese economy in particular continued to weaken, with exports falling below the prior-year level and industrial production slowing notably. GDP growth declined to 6.9% (previous year: 7.3%), the lowest figure since the early 1990s. The Japanese economy has been slow to recover from the economic setback experienced in the previous year. Private consumption was especially weak, having registered a significant decline for the second year in a row. Exports also suffered from the strong upwards valuation of the yen. GDP increased by just 0.5% (previous year: 0.0%).

The economic upturn continued in the United States. Private consumption registered the strongest growth in ten years, thanks in large part to the significant drop in energy prices. Investments in machinery and equipment as well as construction spending saw another increase. However, growth was significantly impeded by foreign trade. GDP rose by 2.4% overall (previous year: 2.4%), and the unemployment rate dropped substantially.

The euro zone economy strengthened during the reporting year. Increases were seen in private consumption, government spending and gross fixed capital formation. Foreign trade also picked up, with the growth distributed almost equally between imports and exports. All in all, this led to GDP growth of 1.5% (previous year: 0.9%). Although the individual countries reported great variations in performance, all except Greece reported positive growth rates. Unemployment decreased as a result. At an average of 10.9%, however, the unemployment rate remained at a very high level.

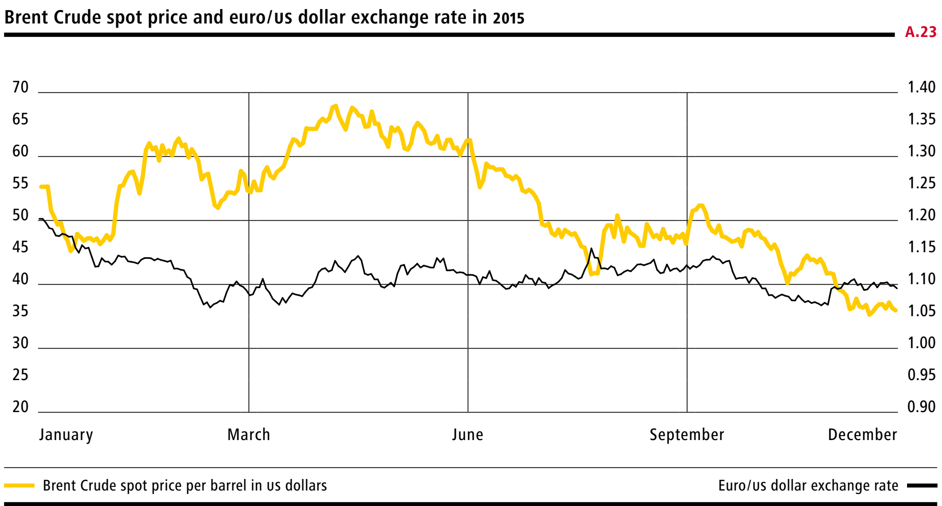
The German economy grew steadily in 2015. Exports benefitted from the weak euro, and imports from the sharp rise in domestic demand. Private consumption thus proved to be the main growth driver. Government spending also rose. By contrast, growth of gross fixed capital formation declined. GDP grew by 1.7% overall (previous year: 1.6%).

The German labour market performed positively against the backdrop of the solid upswing, with the average annual number of employed workers increasing to 43.0 million (previous year: 42.7 million).

Massive drop in oil prices

At the end of 2015, the price for one barrel of Brent Crude was at US$36.43 (previous year: US$54.76). The average price of oil for the year declined by around 47% on the previous year to just over US$52 per barrel. Over the course of 2015, oil prices fluctuated between US$35 and US$67. The price began to drop significantly at the middle of the year due to the sharp increase in global supply, whilst demand was not able to keep up with the rise in quantities as a result of the weak global economy. The reporting year saw another substantial increase in oil production, especially in the United States. Moreover, OPEC was unable to agree upon reduced production quotas.

Brent Crude spot price and euro/US dollar exchange rate in 2015 A.23



Central bank's expansive monetary policies weaken the euro

The European Central Bank (ECB) massively expanded its bond buying programme for covered bonds and asset-backed bonds in 2015. The reason was the low rate of inflation, which even dipped into the negative at the start of the year. In March 2015, the ECB began buying up government bonds in a total monthly volume of around €60 billion. In December, it extended the minimum term of the bond-buying programme to March 2017 and also lowered its deposit rate by 0.10 percentage points to –0.30%. This means that banks are obliged to pay penalty interest in that amount on their deposits with the ECB. By contrast, the US Federal Reserve increased its key interest rate by 0.25 percentage points to 0.25% to 0.50%.

The differing monetary policy strategies of the two central banks had a substantial impact on the €–US$ exchange rate. The euro came under significant downwards pressure, particularly in the early months of 2015 and in the autumn. At the end of 2015, the euro listed at just under US$1.09. This represents a drop of 10.2% during the course of the year. Measured against the pound sterling, the euro posted a loss of 5.0%.

Moderate risk premiums for corporate bonds

Monetary policy also had a significant impact on the euro zone bond markets in 2015. The ECB's expansion of its bond-buying programme resulted in a sharp drop in capital market interest rates. Yields on ten-year German government bonds reached a historic low in April and were at 0.63% at the end of the year (previous year: 0.54%). By the end of the 2015, yields on ten-year US government bonds had risen by 0.10 percentage points year-on-year to 2.27%. Although the risk premiums for corporate bonds with good ratings increased notably, they remained at a moderate level on a long-term comparison. The bond markets suffered the most from increasing concerns about the slowdown of growth in China.

Prices on the German stock market rose markedly until April, driven by the ECB's monetary policies and falling capital market interest rates. Much of the gains were subsequently given up and August brought a severe price drop due to massive turbulence on the Chinese equities markets. As a result of the solid economic performance in Germany, however, the market was able to recover from the losses. Information regarding the performance of the key indices and our shares in the reporting year is available in the section on Deutsche Post shares.

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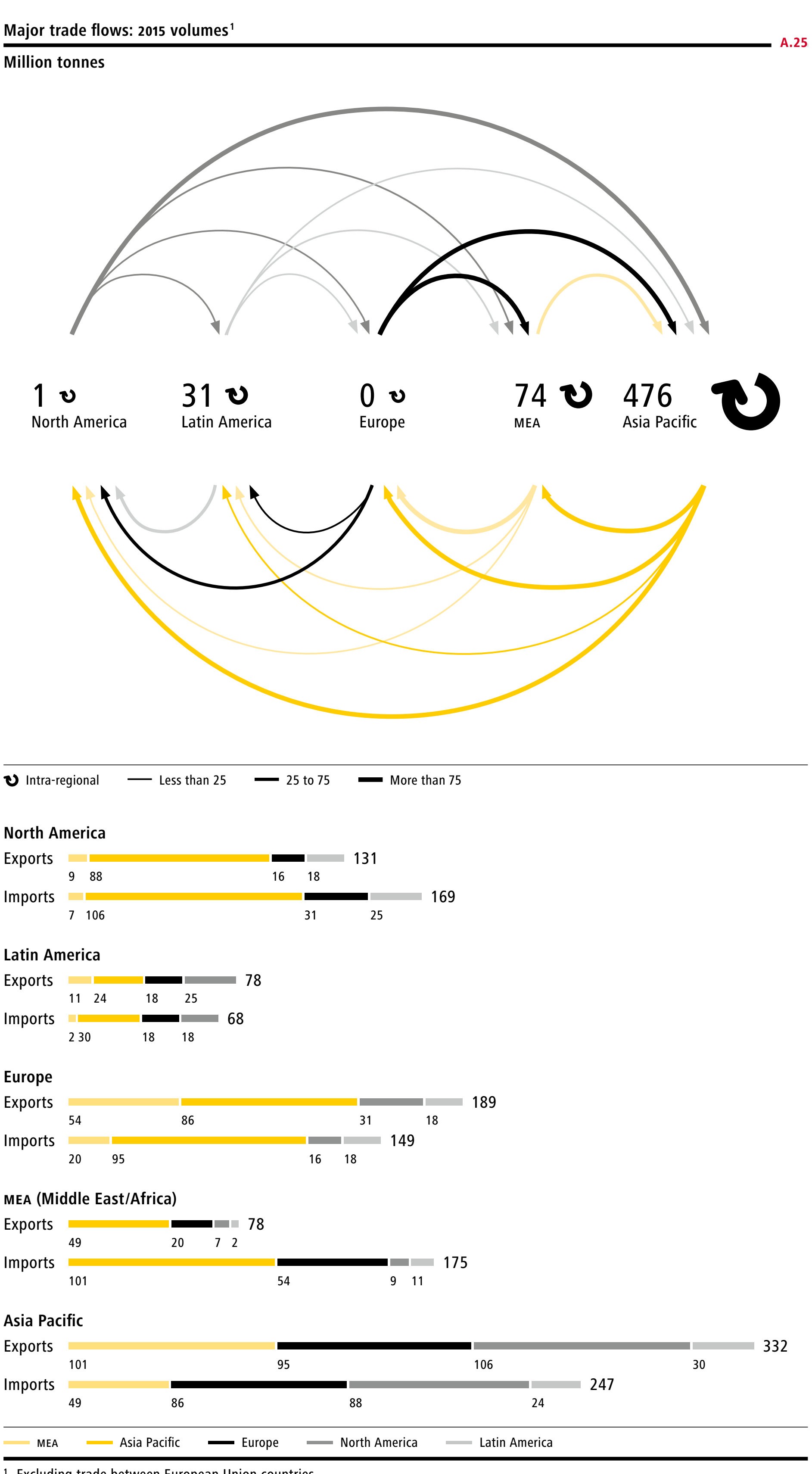
Regional variations in growth of international trade

The global trade movements of relevance to us – air and ocean freight sent in containers, excluding liquids and bulk goods – grew by a total of 1.1% in the reporting year. Growth varied in the different regions. The strongest growth was in imports to North America as well as in exports from Europe and the MEA region. Growth in Asian trade slowed. Exports from North America declined by 5.3% due to the strong US dollar.

Trade volumes: compound annual growth rate, 2014 to 2015 A.24

% Export \ Imports	Asia Pacific	Europe	Latin America	MEA (Middle East and Africa)	North America
Asia Pacific	1.2	−3.5	4.7	−1.1	6.9
Europe	2.0	−10.4	3.6	4.4	8.9
Latin America	2.6	−0.5	−1.0	4.5	4.9
MEA (Middle East and Africa)	3.0	−3.1	−5.7	4.5	10.7
North America	−6.3	−4.5	−2.0	−3.8	1.4

Source: Seabury Cargo Advisory, as at 21 January 2016; based upon all relevant ocean and air freight trading volumes in tonnes, excluding liquids and bulk goods. Excluding shipments within the European Union free trade zone.



[1] Excluding trade between European Union countries.

Source: Seabury Cargo Advisory, as at 22 January 2016.

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 regarding this issue and legal risks is contained in the Notes to the consolidated financial statements.

Note 51

Significant events

Negative one-off effects from re-orientation of Global Forwarding transformation

In the third quarter, the management of Global Forwarding, Freight focused intensively upon re-orientating the transformation process and decided to discontinue the New Forwarding Environment (NFE) system. Since most of the IT investments cannot be used for other purposes, the Group recognised negative one-off effects totalling €336 million in the result for financial year 2015. This comprises €310 million in impairment losses recognised on assets capitalised in relation to NFE, as well as subsequent costs of €26 million related to the further course of transformation.

Almost all of the potential earnings exposure of €200 million for full-year 2015 projected in the interim financial statements for the third quarter of 2015, €81 million of which had already been booked in the third quarter, was recognised at the end of the financial year.

Results of operations

Selected indicators for results of operations A.26

		2014	2015
Revenue	€m	56,630	59,230
Profit from operating activities (EBIT)	€m	2,965	2,411
Return on sales[1]	%	5.2	4.1
EBIT after asset charge (EAC)	€m	1,551	877
Consolidated net profit for the period[2]	€m	2,071	1,540
Earnings per share[3]	€	1.71	1.27
Dividend per share	€	0.85	0.85[4]

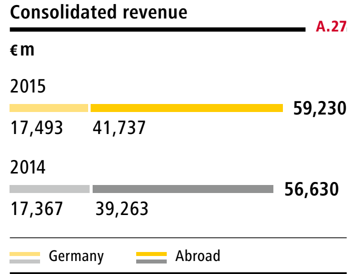
[1] EBIT/revenue.
[2] After deduction of non-controlling interests.
[3] Basic earnings per share.
[4] Proposal.

Changes in portfolio

In the second quarter of 2015, we sold shares in two property development companies in the United Kingdom, King's Cross Central Property Trust and King's Cross Central General Partner Ltd., which were held by the Supply Chain division.

In May, we sold 4.16% of our shares in Sinotrans Ltd., China, which were held by the Global Forwarding, Freight division.

In December 2015, we sold the food procurement business of DHL Supply Chain Ltd. in the UK.



Increase in consolidated revenue to €59.2 billion

At €59,230 million, consolidated revenue was up by €2,600 million in financial year 2015; this was exclusively due to positive currency effects, which increased this item by €2,820 million. In contrast, lower fuel surcharges because of the fall in the oil price had a significant negative impact on revenue. In addition, changes to the way in which revenue and expenses are reported as a result of revised terms to the UK's National Health Service (NHS) contract led to a €465 million decline in revenue in the fourth quarter. The proportion of revenue generated abroad increased slightly year-on-year to 70.5% (previous year: 69.3%).

Revenue in the fourth quarter of 2015 decreased by €26 million to €15,339 million; adjusted for positive currency effects of €481 million, this item would have decreased by €507 million. Revenue in the period was impacted in particular by lower fuel surcharges.

Other operating income rose from €2,016 million in the previous year to €2,394 million. This includes gains of €173 million on the disposal of shares in King's Cross and Sinotrans. In addition, the weak euro led to higher income from currency translation. The year under review also includes a positive one-off effect of €82 million resulting mainly from the reversal of impairment losses on assets relating to the Cincinnati hub. In the previous year, other operating income had increased due to a change in the assessment of settlement payment obligations assumed in the context of restructuring the US express business, and other factors.

Currency effects increase materials expense

Currency effects of €2,009 million were the main factor driving the increase in materials expense to €33,170 million. Excluding this effect, this item declined by €881 million, due primarily to lower fuel costs. The revised terms of the NHS contract reduced materials expense by €458 million.

Staff costs rose by €1,451 million to €19,640 million, also mainly because of exchange rate movements. In addition, there was a rise in the number of employees in the Group.

Depreciation, amortisation and impairment losses increased by 20.6% from €1,381 million in the previous year to €1,665 million, due mainly to impairment losses of €310 million in relation to NFE. The prior-year figure had included impairment losses on aircraft and aircraft parts of €106 million.

At €4,740 million, other operating expenses were also significantly higher than in the previous year (€4,074 million). The weak euro led to an increase in currency translation expenses; in addition, restructuring expenses were incurred in the Supply Chain division.

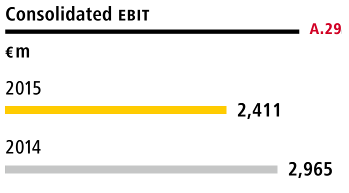
Changes in revenue, other operating income and operating expenses A.28

	€m	+/– %	
Revenue	59,230	4.6	• Growth trends in the German parcel and international express businesses remain intact. • Revised terms of the NHS contract leads to €465 million reduction. • Increase of €2,820 million due to currency effects.
Other operating income	2,394	18.8	• Includes income from the sale of equity investments. • Significant rise in income from currency translation.
Materials expense	33,170	3.5	• Rise due mainly to exchange rate movements. • Organic decline due to lower oil price. • Revised terms of the NHS contract leads to €458 million reduction.
Staff costs	19,640	8.0	• Most of the rise due to exchange rate movements. • Increase in the number of employees.
Depreciation, amortisation and impairment losses	1,665	20.6	• Includes impairment losses of €310 million in relation to NFE. • Prior-year figure included impairment losses on aircraft and aircraft parts of €106 million.
Other operating expenses	4,740	16.3	• Sharp rise in currency translation expenses.

Consolidated EBIT at €2.4 billion

Profit from operating activities (EBIT) declined by 18.7% to €2,411 million (previous year: €2,965 million). In the fourth quarter, EBIT increased from €905 million to €957 million. Net finance costs improved from €388 million to €354 million, mainly because changed interest rates led to a decline in finance costs. At €2,057 million, profit before income taxes for the year under review was down significantly compared with the previous year (€2,577 million). With a slight increase in the tax rate, income taxes decreased by €62 million to €338 million.

Consolidated EBIT A.29



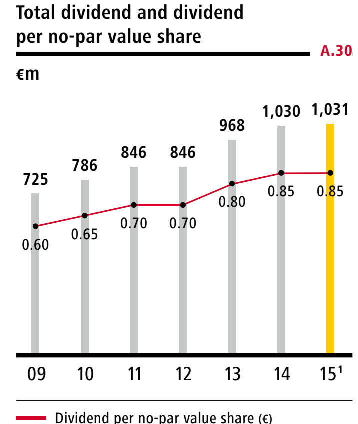
Net profit and earnings per share down

Consolidated net profit for the period declined from €2,177 million to €1,719 million. Of this amount, €1,540 million is attributable to shareholders of Deutsche Post AG and €179 million to non-controlling interest holders. Earnings per share also decreased, with basic earnings per share down from €1.71 to €1.27 and diluted earnings per share declining from €1.64 to €1.22.

Dividend of €0.85 per share proposed

Our finance strategy calls for a payout of 40% to 60% of net profits as dividends as a general rule. At the Annual General Meeting on 18 May 2016, the Board of Management and the Supervisory Board will therefore propose a dividend of €0.85 per share for financial year 2015 (previous year: €0.85) to shareholders. The distribution ratio based upon the consolidated net profit for the period attributable to Deutsche Post AG shareholders amounts to 66.9%. Adjusted for one-off effects, as decribed in table A.21, the distribution ratio amounts to 46.0%. The net dividend yield based upon the year-end closing price of our shares is 3.3%. The dividend will be distributed on 19 May 2016 and is tax-free for shareholders resident in Germany. It does not entitle recipients to a tax refund or a tax credit.

Total dividend and dividend per no-par value share A.30



[1] Proposal.

EBIT after asset charge decreased

EBIT after asset charge (EAC) declined from €1,551 million to €877 million in 2015, primarily as a result of the decrease in EBIT. Furthermore, the asset charge rose by 8.5%, which was attributable predominantly to increased capital expenditure in the Express division in particular, as well as to currency effects.

EBIT after asset charge (EAC) — A.31

€m

	2014	2015	+/–%
EBIT	2,965	2,411	–18.7
– Asset charge	–1,414	–1,534	–8.5
= **EAC**	**1,551**	**877**	**–43.5**

The net asset base increased by €294 million to €16,809 million in the reporting year. Investments in IT systems, the purchase of freight aircraft and replacement and expansion investments in warehouses, sorting systems and the vehicle fleet increased year-on-year, as did intangible assets. This was offset by negative one-off effects due to the re-orientation of the transformation process in the Global Forwarding, Freight division and changes in net working capital.

Operating provisions were largely stable compared with the previous year. The rise in other non-current assets and liabilities increased the net asset base slightly.

Net asset base (non-consolidated) — A.32

€m

	31 Dec. 2014	31 Dec. 2015	+/–%
Intangible assets and property, plant and equipment	19,540	20,296	3.9
± Net working capital	–512	–1,024	100.0
– Operating provisions (excluding provisions for pensions and similar obligations)	–2,505	–2,471	–1.4
± Other non-current assets and liabilities	–8	8	>100
= **Net asset base**	**16,515**	**16,809**	**1.8**

Financial position

Selected cash flow indicators A.33

€m

	2014	2015
Cash and cash equivalents as at 31 December	2,978	3,608
Change in cash and cash equivalents	−395	615
Net cash from operating activities	3,040	3,444
Net cash used in investing activities	−1,087	−1,462
Net cash used in financing activities	−2,348	−1,367

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; arranging Group financing; issuing guarantees and letters of comfort and liaising with rating agencies. We steer processes centrally, which allows us to work efficiently and successfully manage risk.

Responsibility for these activities rests with Corporate Finance at Group headquarters in Bonn (Germany), which is supported by three Regional Treasury Centres in Bonn, 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.

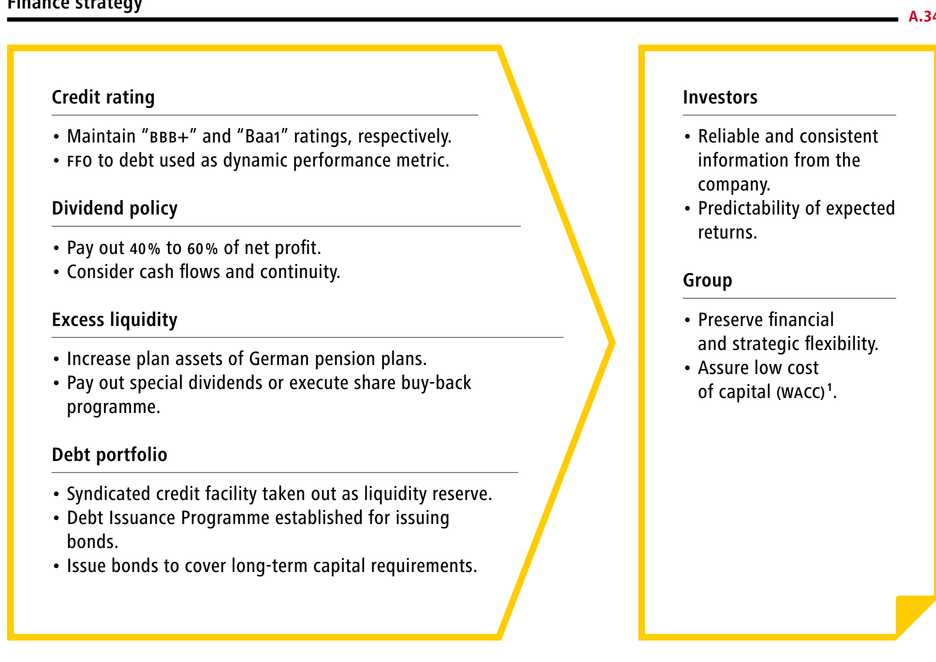
Corporate Finance's main task is to minimise financial risk and the cost of capital, whilst preserving the Group's continuous financial stability and flexibility. In order to maintain its unrestricted access to the capital markets, the Group continues to aim for a credit rating appropriate to the sector.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

Maintaining financial flexibility and low cost of capital

The Group's finance strategy builds upon the principles and aims of financial management. In addition to the interests of shareholders, the strategy also takes creditor 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, which is to be used to gradually increase plan assets of our German pension plans as well as paying special dividends or buying back shares.

Finance strategy A.34



[1] Weighted average cost of capital Group management, page 37.

Funds from operations (FFO) represents operating cash flow before changes in working capital plus interest 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 surplus cash and near-cash investments, the figure for debt also includes operating lease liabilities as well as unfunded pension liabilities.

FFO to debt A.35

€m

	2014	2015
Operating cash flow before changes in working capital	3,061	2,656
+ Interest received	45	47
− Interest paid	188	76
+ Adjustment for operating leases	1,283	1,413
+ Adjustment for pensions	122	239
± Non-recurring income/expenses	74	65
= Funds from operations (FFO)	**4,397**	**4,344**
Reported financial liabilities	5,169	5,178
− Financial liabilities at fair value through profit or loss	145	125
+ Adjustment for operating leases	5,953	6,394
+ Adjustment for pensions	7,174	6,103
− Surplus cash and near-cash investments[1]	2,256	2,641
= Debt	**15,895**	**14,909**
FFO to debt (%)	**27.7**	**29.1**

[1] Reported cash and cash equivalents and investment funds callable at sight, less cash needed for operations.

The "FFO to debt" dynamic performance metric increased in the reporting year compared with the prior year, due to a decrease in debt.

Funds from operations declined slightly by €53 million to a total of €4,344 million. There was a sharp decrease in the amount of interest paid, largely because we unwound interest rate swaps for bonds and therefore generated interest income. Operating restructuring payments in the amount of €65 million were recognised as non-recurring income/expenses in the reporting year.

Debt decreased by €986 million year-on-year to €14,909 million in financial year 2015. The main reason for the decline was lower pension obligations due to an increase in discount rates. Further information on pensions is contained in the Notes.

Note 42

Cash and liquidity managed centrally

The cash and liquidity of our globally operating subsidiaries is managed centrally by Corporate Treasury. More than 80% of the Group's external revenue is consolidated in cash pools and used to balance internal liquidity needs. In countries where this practice is ruled out for legal reasons, internal and external borrowing and investment are managed 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 inter-company clearing. Payment transactions are executed in accordance with uniform guidelines using standardised processes and IT systems. Many Group companies pool their external payment transactions in the Group's Payment Factory, which executes payments in the name of the respective companies via Deutsche Post AG's central bank accounts.

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 hedged additionally 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 means of equity and debt. This ensures our financial stability and also provides adequate flexibility. Our most important source of funds is net cash from operating activities.

We also have a syndicated credit facility in a total volume of €2 billion that guarantees us favourable market conditions and acts as a secure, long-term liquidity reserve. The facility was extended by one year in 2015 and now runs until 2020. The syndicated credit facility does not contain any covenants concerning the Group's financial indicators. In view of our solid liquidity, it was not drawn down during the year under review.

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 minimise borrowing costs.

No bonds were issued or redeemed in the reporting year. Further information on the existing bonds is contained in the Notes.

Note 44

Group issues sureties, letters of comfort and guarantees

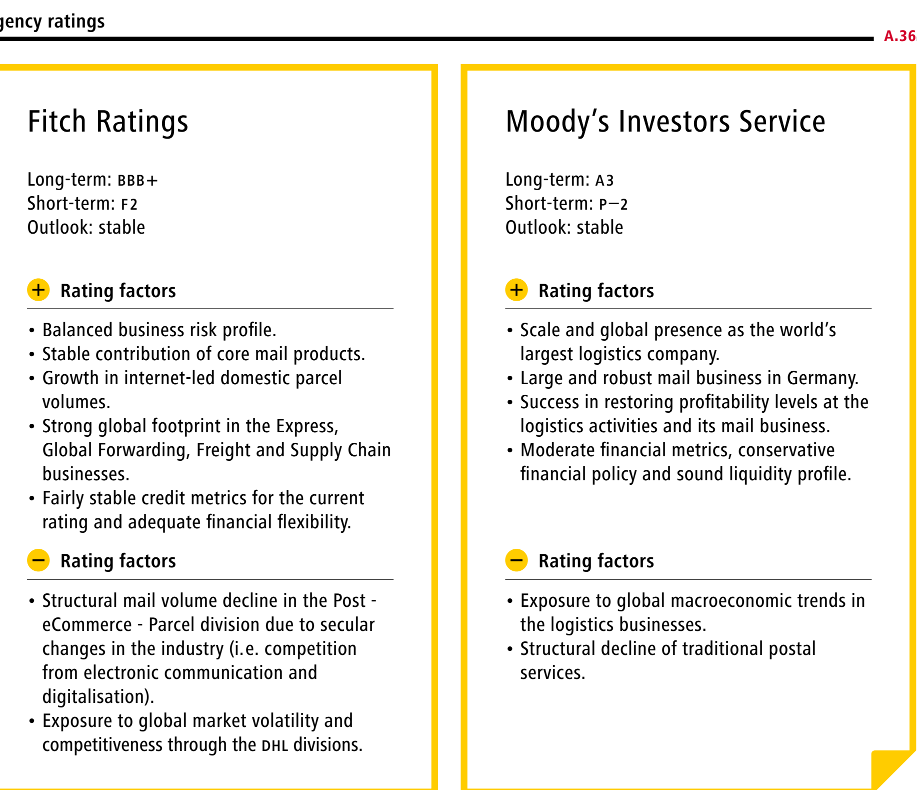
Deutsche Post AG provides security for the loan agreements, leases and supplier contracts entered into by Group companies, associates or joint ventures by issuing letters of comfort, sureties or guarantees as needed. This practice allows better conditions to be negotiated locally. The sureties are provided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

No change in the Group's credit rating

The ratings of "A3" issued by Moody's Investors Service (Moody's) and "BBB+" issued by Fitch Ratings (Fitch) remain in effect with regard to our credit quality. The stable outlook from both rating agencies is also still applicable. We remain 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.

dpdhl.com/en/investors

Agency ratings A.36



Liquidity and sources of funds

As at the balance sheet date, the Group had cash and cash equivalents in the amount of €3.6 billion (previous year: €3.0 billion) at its disposal. A large portion of this is held directly by Deutsche Post AG. Most of the cash is invested centrally on the money market. These central short-term money market investments had a volume of €2.2 billion as at the balance sheet date.

Table A.37 gives a breakdown of the financial liabilities reported in our balance sheet. Further information on recognised financial liabilities is contained in the Notes.

Financial liabilities A.37

€m

	2014	2015
Bonds	4,290	4,304
Due to banks	184	166
Finance lease liabilities	210	167
Liabilities to Group companies	23	26
Financial liabilities at fair value through profit or loss	145	125
Other financial liabilities	317	390
	5,169	**5,178**

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

Operating lease liabilities by asset class A.38

€m

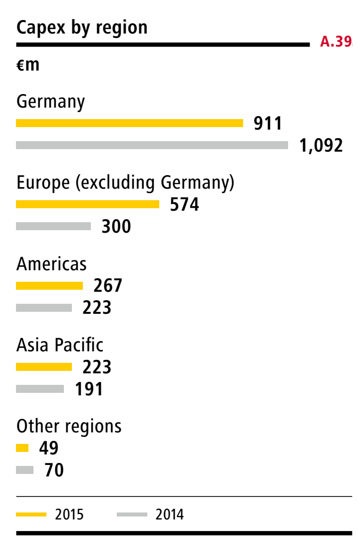
	2014	2015
Land and buildings	5,375	5,929
Aircraft	1,083	1,072
Transport equipment	576	472
Technical equipment and machinery	67	70
Other equipment, operating and office equipment, miscellaneous	54	39
	7,155	**7,582**

Operating lease obligations increased significantly year-on-year to €7.6 billion, with new long-term agreements – primarily for real estate – overcompensating considerably for the reduction in the remaining terms of legacy agreements.

Capital expenditure above prior-year level

The Group's capital expenditure (capex) was €2,024 million at the end of December 2015, 7.9% above the prior year's figure of €1,876 million. Funds were used mainly to replace and expand assets as follows: €1,800 million was invested in property, plant and equipment and €224 million in intangible assets excluding goodwill. Investments in property, plant and equipment related to advance payments and assets under development (€1,133 million), transport equipment (€179 million), land and buildings (€124 million), technical equipment and machinery (€114 million), IT equipment (€109 million), operating and office equipment (€87 million) as well as aircraft (€54 million).

Capex by region A.39



Capex and depreciation, amortisation and impairment losses, full year

A.40

	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Capex (€m)	415	533	571	856	207	123	304	318	380	192	–1	2	**1,876**	**2,024**
Depreciation, amortisation and impairment losses (€m)	340	319	462	404	88	396	268	313	224	233	–1	0	**1,381**	**1,665**
Ratio of capex to depreciation, amortisation and impairment losses	1.22	1.67	1.24	2.12	2.35	0.31	1.13	1.02	1.70	0.82	–	–	**1.36**	**1.22**

[1] Including rounding.

Capex and depreciation, amortisation and impairment losses, Q4

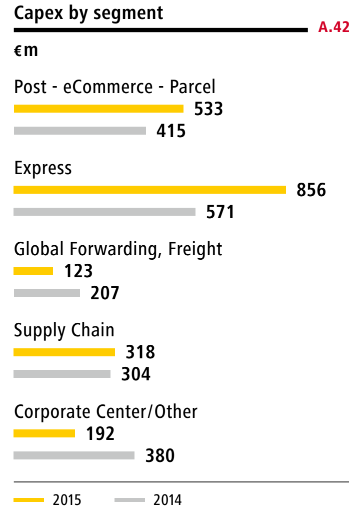
A.41

	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Capex (€m)	208	209	296	360	79	22	108	98	181	91	–1	2	**871**	**782**
Depreciation, amortisation and impairment losses (€m)	86	86	96	121	23	24	71	89	58	59	–1	1	**333**	**380**
Ratio of capex to depreciation, amortisation and impairment losses	2.42	2.43	3.08	2.98	3.43	0.92	1.52	1.10	3.12	1.54	–	–	**2.62**	**2.06**

[1] Including rounding.

Capex by segment

A.42



Capital expenditure in the Post - eCommerce - Parcel division increased from €415 million in the prior year to €533 million. The largest capex portion continued to be attributable to the expansion of our domestic and international parcel network. We also focused upon investments in other operating and office equipment and IT.

In the Express division, capital expenditure amounted to €856 million in the reporting year (previous year: €571 million). Our investments went to maintaining and renewing our aircraft fleet as well as to expanding our global and regional hubs in Leipzig, Cincinnati, Singapore, Brussels and the East Midlands. Substantial investments were also made in selected markets such as the UK, China and the United States.

In the Global Forwarding, Freight division, a total of €123 million was invested in 2015 (previous year: €207 million). Of that figure, €96 million was attributable to the Global Forwarding business unit, where we invested in turnaround measures. We also modernised and refurbished warehouses and office buildings across all regions. A total of €27 million was invested in the Freight business unit, mainly for real estate, equipment and machinery, and software.

In the Supply Chain division, capital expenditure increased to €318 million, from €304 million in the previous year. Around 58% of the funds were used to support new business. The Americas and Asia Pacific regions had the highest level of expenditure on new customer projects, notably in the Consumer, Automotive as well as Life Sciences & Healthcare sectors. In the Europe region, we invested mainly in renewals and refurbishments, predominantly in the Retail and Automotive sectors. Additional investments were made in vehicle fleet replacements.

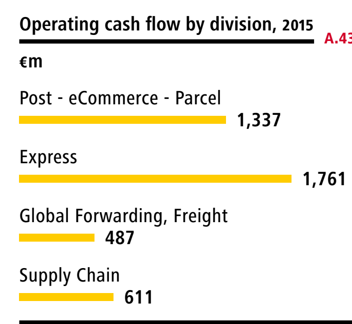
Cross-divisional capital expenditure decreased from €380 million in the previous year to €192 million in the reporting year due to lower expenses for the vehicle fleet.

Higher operating cash flow

At €3,444 million in financial year 2015, net cash from operating activities was up €404 million on the previous year, although EBIT was down €554 million. The depreciation, amortisation and impairment losses contained in EBIT are non-cash effects and are therefore eliminated. This item increased from €1,381 million to €1,665 million, due in particular to the impairment losses relating to NFE. Net income from the disposal of non-current assets, which is contained in EBIT, is also eliminated. It rose by €250 million to €261 million in the reporting year, driven mainly by the gains on the sale of our equity investments in Sinotrans and King's Cross. The change in provisions declined from €–698 million to €–495 million year-on-year, due to the reversal of restructuring provisions in the Express division in the previous year, amongst other factors. At €2,656 million, net cash from operating activities before changes in working capital was down €405 million on the previous year. Thanks to better working capital management, the change in working capital led to a cash inflow of €788 million compared with a cash outflow of €21 million in the previous year. The receivables and other current assets item was a particularly significant factor contributing to this development.

At €1,462 million, net cash used in investing activities was considerably higher than in the previous year (€1,087 million). In particular, cash paid to acquire property, plant and equipment and intangible assets rose significantly in the year under review, from €1,750 million to €2,104 million. This was partially offset by a rise in proceeds from the disposal of non-current assets from €322 million to €437 million. Amongst other things, this figure includes gains on the sale of equity investments. Mainly the purchase and sale of money market funds in the previous year led to a total cash inflow of €400 million, increasing current financial assets. This compares with a cash inflow of €200 million in 2015 from the sale of money market funds.

Operating cash flow by division, 2015 A.43



Calculation of free cash flow A.44

€m

	2014	2015	Q4 2014	Q4 2015
Net cash from operating activities	**3,040**	**3,444**	**1,659**	**2,307**
Sale of property, plant and equipment and intangible assets	200	175	84	97
Acquisition of property, plant and equipment and intangible assets	–1,750	–2,104	–560	–660
Cash outflow arising from change in property, plant and equipment and intangible assets	**–1,550**	**–1,929**	**–476**	**–563**
Disposals of subsidiaries and other business units	4	15	1	16
Disposals of investments accounted for using the equity method and other investments	0	223	0	0
Acquisition of subsidiaries and other business units	–5	0	–6	0
Acquisition of investments accounted for using the equity method and other investments	–1	0	–1	0
Cash outflow/inflow arising from acquisitions/divestitures	**–2**	**238**	**–6**	**16**
Interest received	45	47	8	14
Interest paid	–188	–76	–71	–69
Net interest paid	**–143**	**–29**	**–63**	**–55**
Free cash flow	**1,345**	**1,724**	**1,114**	**1,705**

Free cash flow improved by €379 million year-on-year to €1,724 million, due primarily to a sharp rise in net cash from operating activities. Cash inflows from the disposal of the equity investments also helped to increase this item. A sharp fall in interest paid also contributed to the improvement in free cash flow; in the first quarter of 2015, we unwound interest rate swaps for bonds, which led to a cash inflow. The accounting treatment of these inflows is the same as for the hedged item. For this reason, we are only reporting small interest payments of €76 million in the reporting year (previous year: €188 million). Free cash flow was reduced due primarily to the increased amount of cash paid to acquire property, plant and equipment and intangible assets.

At €1,367 million, net cash used in financing activities was significantly lower than in the previous year (€2,348 million). In the previous year, the repayment of a bond of €926 million made a significant contribution to the cash outflow. At €1,030 million, the dividend paid to our shareholders was again the largest payment item in 2015. It increased by €62 million year-on-year.

Changes in the individual activities saw cash and cash equivalents increase from €2,978 million as at 31 December 2014 to €3,608 million.

Net assets

Selected indicators for net assets A.45

		31 Dec. 2014	31 Dec. 2015
Equity ratio	%	25.9	29.8
Net debt	€m	1,499	1,093
Net interest cover		20.7	83.1
Net gearing	%	13.5	8.8
FFO to debt[1]	%	27.7	29.1

[1] Calculation Financial position, page 54.

Increase in consolidated total assets

The Group's total assets amounted to €37,870 million as at 31 December 2015, €891 million higher than at 31 December 2014 (€36,979 million).

At €23,727 million, non-current assets were up on the previous year's figure of €22,902 million. Intangible assets increased by €138 million to €12,490 million, driven primarily by a rise in goodwill that was due to exchange rate movements. However, the impairment losses on intangible assets in relation to NFE reduced this item by €310 million. Property, plant and equipment increased by €618 million to €7,795 million as additions and positive currency effects exceeded depreciation, impairment losses and disposals. The reversal of impairment losses in the Express Americas region also contributed to the rise. In contrast, non-current financial assets decreased from €1,363 million to €1,113 million, due primarily to the sale of shares in equity investments. Deferred tax assets changed from €1,752 million to €2,007 million.

At €14,143 million, current assets were at the previous year's level (€14,077 million). Inventories decreased by €51 million to €281 million. The sale of money market funds worth €200 million was the main reason for the significant decline in current financial assets from €351 million to €179 million. Trade receivables declined by €131 million to €7,694 million, although foreign currency effects of €165 million had an offsetting effect. Other current assets also decreased, declining by €243 million to €2,172 million. The

decrease was attributable to a large number of minor factors. The reasons for the €630 million increase in cash and cash equivalents to €3,608 million are described in the section entitled Financial position.

Page 59 f.

At €11,034 million, equity attributable to Deutsche Post AG shareholders was €1,658 million higher than at 31 December 2014 (€9,376 million). Consolidated net profit for the period, the increased discount rates applicable to pension provisions and positive currency effects made a positive contribution, whereas the dividend payment to our shareholders reduced equity.

Current and non-current liabilities rose slightly from €16,988 million to €17,214 million. The increase related to trade payables in particular; they rose by €147 million to €7,069 million, due mainly to exchange rate movements. Other current liabilities rose by €59 million to €4,255 million, partly due to a rise in liabilities to employees. At €5,178 million, financial liabilities barely changed from the €5,169 million recorded as at 31 December 2014: while non-current financial liabilities declined by €58 million to €4,625 million, current financial liabilities rose by €67 million to €553 million. At €9,361 million, current and non-current provisions were significantly down on the figure of €10,411 million as at 31 December 2014: actuarial gains attributable to a rise in interest rates led to a decline in provisions for pensions.

Net debt drops to €1,093 million

Our net debt declined sharply from €1,499 million as at 31 December 2014 to €1,093 million as at 31 December 2015. The equity ratio improved from 25.9% to 29.8%. The dynamic gearing ratio was 0.4 years in financial year 2015. Net interest cover shows the extent to which net interest obligations are covered by EBIT. It rose from 20.7 to 83.1. Net gearing was 8.8% as at 31 December 2015.

Net debt A.46

€m

	31 Dec. 2014	31 Dec. 2015
Non-current financial liabilities	4,655	4,578
+ Current financial liabilities	425	440
= **Financial liabilities**	**5,080**	**5,018**
– Cash and cash equivalents	2,978	3,608
– Current financial assets	351	179
– Long-term deposits[1]	60	0
– Positive fair value of non-current financial derivatives[1]	192	138
= **Financial assets**	**3,581**	**3,925**
Net debt	**1,499**	**1,093**

[1] Reported in non-current financial assets in the balance sheet.

Business performance in the divisions

OVERVIEW

Key figures by operating division

A.47

€m	2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Post - eCommerce - Parcel						
Revenue	15,686	16,131	2.8	4,353	4,513	3.7
of which Post	10,014	9,784	–2.3	2,689	2,650	–1.5
eCommerce - Parcel	5,672	6,347	11.9	1,664	1,863	12.0
Profit from operating activities (EBIT)	1,298	1,103	–15.0	425	487	14.6
Return on sales (%)[1]	8.3	6.8	–	9.8	10.8	–
Operating cash flow	1,085	1,337	23.2	478	797	66.7
Express						
Revenue	12,491	13,661	9.4	3,411	3,638	6.7
of which Europe	5,670	6,045	6.6	1,528	1,637	7.1
Americas	2,259	2,559	13.3	627	698	11.3
Asia Pacific	4,456	4,995	12.1	1,237	1,317	6.5
MEA (Middle East and Africa)	924	1,039	12.4	246	268	8.9
Consolidation/Other	–818	–977	–19.4	–227	–282	–24.2
Profit from operating activities (EBIT)	1,260	1,391	10.4	348	319	–8.3
Return on sales (%)[1]	10.1	10.2	–	10.2	8.8	–
Operating cash flow	1,689	1,761	4.3	578	671	16.1
Global Forwarding, Freight						
Revenue	14,924	14,890	–0.2	3,960	3,736	–5.7
of which Global Forwarding	10,881	10,827	–0.5	2,914	2,673	–8.3
Freight	4,196	4,238	1.0	1,086	1,113	2.5
Consolidation/Other	–153	–175	–14.4	–40	–50	–25.0
Profit from operating activities (EBIT)	293	–181	<–100	71	99	39.4
Return on sales (%)[1]	2.0	–1.2	–	1.8	2.6	–
Operating cash flow	181	487	>100	205	384	87.3
Supply Chain						
Revenue	14,737	15,791	7.2	3,953	3,799	–3.9
of which EMEA (Europe, Middle East and Africa)	9,136	9,474	3.7	2,471	2,152	–12.9
America	3,855	4,323	12.1	1,005	1,128	12.2
Asia Pacific	1,781	2,035	14.3	486	529	8.8
Consolidation/Other	–35	–41	–17.1	–9	–10	–11.1
Profit from operating activities (EBIT)	465	449	–3.4	161	176	9.3
Return on sales (%)[1]	3.2	2.8	–	4.1	4.6	–
Operating cash flow	673	611	–9.2	436	588	34.9

[1] EBIT/revenue.

POST - ECOMMERCE - PARCEL DIVISION

Revenue increases by 2.8%

In the reporting year, with 2.3 additional working days in Germany, revenue in the division was €16,131 million, 2.8% above the prior-year figure of €15,686 million. Most of the growth stemmed from the eCommerce - Parcel business unit. Excluding positive currency effects of €182 million, revenue growth was 1.7% in the reporting year. In the fourth quarter of 2015, revenue in the division increased year-on-year by 3.7%.

Lower revenue and volumes in Post business unit, partly on account of strike

In the Post business unit, revenue was €9,784 million in the reporting year, 2.3% below the prior-year figure of €10,014 million. Volumes declined more significantly by 5.8%. In the fourth quarter of 2015, revenue was €2,650 million (previous year: €2,689 million).

Although the price of a standard letter increased as of 1 January 2015, the additional sales revenue could not fully offset the decrease in revenue attributable to the overall decline in Mail Communication volumes. The Germany-wide labour strikes called by the trade union ver.di, our collective bargaining partner, at mail centres and in letter and parcel delivery operations negatively impacted volume and revenue performance. Furthermore, 2014 included additional mail volumes as a result of factors such as the European elections and the transition to SEPA. The cross-border mail business performed well during the reporting year. The *Groß* and *Maxi* formats in particular benefitted from the fact that small-sized goods are increasingly being sent by letter.

In the Dialogue Marketing business, revenue and volumes decreased in addressed advertising mail. By contrast, revenue generated from unaddressed advertising mail increased, whereby our *Einkauf aktuell* product registered considerably higher growth than *Postwurfsendung* items.

Post: revenue A.48

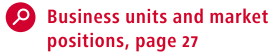
€m	2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Mail Communication	6,641	6,545	–1.4	1,760	1,769	0.5
Dialogue Marketing	2,232	2,192	–1.8	629	612	–2.7
Other	1,141	1,047	–8.2	300	269	–10.3
Total	**10,014**	**9,784**	**–2.3**	**2,689**	**2,650**	**–1.5**

Post: volumes A.49

Mail items (millions)	2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Total	20,500	19,302	–5.8	5,435	5,197	–4.4
of which Mail Communication	8,882	8,555	–3.7	2,307	2,231	–3.3
of which Dialogue Marketing	9,523	8,846	–7.1	2,561	2,473	–3.4

eCommerce - Parcel business unit expands

Revenue in the eCommerce - Parcel business unit was €6,347 million in the reporting year, exceeding the prior-year figure of €5,672 million by a pleasing 11.9%. The fourth quarter also saw double-digit revenue growth.


Business units and market positions, page 27

In Germany, the positive growth trend continued. Driven by e-commerce, volumes rose by 8.7% to 1,123 million parcels in the reporting year. Revenue increased by 9.5% to €4,372 million (previous year: €3,992 million).

Our domestic and cross-border parcel business in Europe continued to perform well. In addition to the markets we have entered, we acquired the Parcelshop network of DHL Freight in Sweden in the fourth quarter of 2015. Revenue in the European parcel business grew by 8.7% to €735 million in the reporting year (previous year: €676 million).

Revenue in the DHL eCommerce business was up by 23.5% to €1,240 million in 2015 (previous year: €1,004 million). Very positive development in the B2C segment in India, growth in the domestic business in the United States as well as positive currency effects contributed to this increase. Excluding currency effects, growth was 6.1%.

eCommerce - Parcel: revenue A.50

€m	2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Parcel Germany	3,992	4,372	9.5	1,200	1,315	9.6
Parcel Europe[1]	676	735	8.7	181	204	12.7
DHL eCommerce[2]	1,004	1,240	23.5	283	344	21.6
Total	**5,672**	**6,347**	**11.9**	**1,664**	**1,863**	**12.0**

[1] Excluding Germany.
[2] Outside Europe.

Parcel Germany: volumes A.51

Parcels (millions)	2014	2015	+/– %	Q4 2014	Q4 2015	+/– %
Total	1,033	1,123	8.7	309	338	9.4

Increased costs slow earnings growth

Although revenues were up compared with the prior year, EBIT in the reporting year declined significantly, due in particular to higher material and labour costs, the continued expansion of our parcel network as well as the effects of the strike. Division EBIT was €1,103 million, 15.0% below the prior-year level (€1,298 million). Return on sales declined from 8.3% to 6.8%. EBIT was also impacted by an amount of €39 million relating to a provision for an interest-based increase in expected payments to the *Postbeamtenversorgungskasse* (postal civil servant pension fund). In the fourth quarter of 2015, EBIT was €487 million, exceeding the fourth quarter of 2014 by 14.6% (previous year: €425 million).

Operating cash flow increased from €1,085 million to €1,337 million, which was attributable mainly to active working capital management. Working capital decreased from €–278 million to €–517 million.

EXPRESS DIVISION

International business continues to perform well

Revenue in the division increased by 9.4% to €13,661 million in the reporting year (previous year: €12,491 million). As the majority of our business activities take place outside the euro zone, we recorded positive currency effects of €882 million. Excluding these effects, revenue growth was 2.3%. In the fourth quarter of 2015, revenue improved by 6.7%; excluding currency effects, the increase was just 2.2%. This was due mainly to the fact that the fuel surcharges passed on to our customers were lower in all regions as the price of crude oil declined compared with the previous year.

In the Time Definite International (TDI) product line, daily revenues improved by 3.3% and per-day shipment volumes by 8.7% in the reporting year. This trend continued in the fourth quarter: daily revenues increased by 2.3% and shipment volumes by 9.8%. Due to the decrease in fuel surcharges, growth in revenues was substantially lower than volume growth.

In the Time Definite Domestic (TDD) product line, daily revenues increased by 2.6% and per-day shipment volumes by 7.9% in the reporting year. In the fourth quarter, daily revenues increased by 4.9%, whilst shipment volumes saw an even greater rise of 10.1%.

EXPRESS: revenue by product A.52

€m per day[1]	2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Time Definite International (TDI)	36.0	37.2	3.3	38.7	39.6	2.3
Time Definite Domestic (TDD)	3.8	3.9	2.6	4.1	4.3	4.9

[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.

EXPRESS: volumes by product A.53

Thousands of items per day[1]	2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Time Definite International (TDI)	693	753	8.7	748	821	9.8
Time Definite Domestic (TDD)	366	395	7.9	395	435	10.1

[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.

Double-digit volume growth in Europe region

Revenue in the Europe region increased by 6.6% to €6,045 million in the reporting year (previous year: €5,670 million). The figure for the year under review included positive currency effects of €75 million that relate mainly to our business activities in Switzerland and the UK. Excluding these effects, revenue growth was 5.3%. In the TDI product line, daily revenues increased by 4.3%. Shipment volumes improved by 12.8% in the reporting year. Growth in the region was also maintained in the fourth quarter of 2015, with daily international shipment revenues increasing by 4.0%, whilst daily shipment volumes grew by 11.8%.

Volumes in the Americas region increased at the end of the year

Revenue in the Americas region increased by 13.3% to €2,559 million in the reporting year (previous year: €2,259 million). The figure for the year under review included positive currency effects of €244 million, which relate mainly to our business in the United States. Excluding these effects, revenue in the region was 2.5% above the prior-year figure. In the TDI product line, we increased daily revenues by 6.8% in the reporting year; we were able to increase daily shipment volumes slightly by 1.0%. In the fourth quarter of 2015, daily revenues improved by 8.4% and volumes by a good 6.7%.

TDI volumes in the Asia Pacific region continue to rise

Revenue in the Asia Pacific region increased by 12.1% to €4,995 million in the reporting year (previous year: €4,456 million). The figure for the year under review included significant currency gains of €521 million that relate primarily to our business activities in China and Hong Kong, as well as other countries in the region. Excluding these effects, the revenue increase was 0.4%. In the TDI product line, daily revenues improved by 0.7% and shipment volumes by 6.7% in the reporting year. In the fourth quarter of 2015, daily revenues declined by 2.0%, whilst volumes increased by 8.1%.

Increased volumes in MEA region

Revenue in the MEA region (Middle East and Africa) improved by 12.4% to €1,039 million in the reporting year (previous year: €924 million). The figure for the year under review included positive currency effects of €100 million that are associated mainly with our business activities in the Middle East. Excluding these effects, revenue for the region rose by 1.6%. In the TDI product line, daily revenues increased by 6.7% and per-day volumes by a substantial 9.7%. Growth in the fourth quarter of 2015 amounted to 4.3% for daily revenues and 8.1% for per-day volumes.

Full-year EBIT and return on sales improve

In the reporting year, EBIT in the division improved by 10.4% to €1,391 million (previous year: €1,260 million). Increased volumes and revenues as well as the higher operating profitability of our network were the main factors contributing to this growth. Return on sales improved for the year as a whole, rising from 10.1% in the previous year to 10.2% in 2015. This figure included a positive one-off effect of €82 million, attributable largely to the reversal of impairment losses on assets in the United States. Of the potential earnings exposure of €200 million for full-year 2015 projected in the interim financial statements for the third quarter of 2015, a total of €66 million was attributable to the Express division. The reversal of restructuring provisions in the United States resulted in income in the previous year that was offset mainly by impairment losses on aircraft. In the fourth quarter of 2015, EBIT dropped by 8.3% to €319 million and return on sales from 10.2% to 8.8%.

As a result of the improved operating profit, operating cash flow in 2015 increased by 4.3% to €1,761 million (previous year: €1,689 million).

GLOBAL FORWARDING, FREIGHT DIVISION

Freight forwarding business remains under pressure on the whole

In the reporting year, revenue in the division was at the same level as the prior year, at €14,890 million (previous year: €14,924 million). Excluding positive currency effects of €546 million, however, revenue declined by 3.9%.The freight forwarding business remained under pressure in the fourth quarter of 2015: revenue was down year-on-year by 5.7% to €3,736 million – a decline of 7.9% excluding positive currency effects of €90 million.

In the Global Forwarding business unit, revenue in the reporting year declined slightly by 0.5% to €10,827 million (previous year: €10,881 million). Excluding positive currency effects of €534 million, the decline was 5.4%. Gross profit improved by 1.5% to €2,434 million (previous year: €2,399 million).

Air freight business declines significantly, ocean freight stabilises within weak market

In financial year 2015, air freight volumes fell significantly by 8.3% compared with the previous year. Overall, the market saw a slight decline; the year-end business was moderate. To counteract the decrease in margins, we withdrew from some major transactions. The measures we implemented to increase profitability contributed to a 1.2% improvement in gross profit in the reporting year. However, our air freight revenue declined by 2.4% in 2015. In the fourth quarter, volumes were 11.8% and revenue 11.6% below the prior-year figures.

Ocean freight volumes in 2015, however, remained at the prior-year level. New business gains offset declines stemming from prolonged market weakness and considerably lower demand from several customers. Our ocean freight revenues rose by 3.0% in the reporting year. However, gross profit fell by 2.0%. The measures we have implemented to improve our margins are yielding initial success, but are being offset partially by the continued weak market environment. In the fourth quarter, volumes were 1.2% and revenue 4.9% below the prior-year figures.

The performance of our industrial project business (Table A.54, reported as part of Other in the Global Forwarding business unit) was considerably weaker than in the previous year, as the low oil price has reduced customer demand. In the reporting year, the share of revenue related to industrial project business and reported under Other was 27.3% and therefore down year-on-year (previous year: 34.8%). Gross profit thus declined by 11.8% compared with the prior-year period.

Global Forwarding: revenue A.54

€m	2014 adjusted	2015	+/–%	Q4 2014 adjusted	Q4 2015	+/–%
Air freight	5,111	4,990	–2.4	1,411	1,247	–11.6
Ocean freight	3,576	3,685	3.0	927	882	–4.9
Other	2,194	2,152	–1.9	576	544	–5.6
Total	**10,881**	**10,827**	**–0.5**	**2,914**	**2,673**	**–8.3**

Global Forwarding: volumes

A.55

Thousands		2014 adjusted	2015	+/– %	Q4 2014 adjusted	Q4 2015	+/– %
Air freight	tonnes	4,046	3,712	–8.3	1,075	948	–11.8
of which exports	tonnes	2,276	2,109	–7.3	605	547	–9.6
Ocean freight	TEUs[1]	2,932	2,930	–0.1	731	722	–1.2

[1] Twenty-foot equivalent units.

Revenue in European overland transport business exceeds prior-year level

In the Freight business unit, revenue was up by 1.0% to €4,238 million in 2015 (previous year: €4,196 million), bolstered by positive currency effects of €13 million. Transport volumes increased by 7.7%. Growth was driven heavily by B2C business in Sweden and full-truckload business in Germany. Volume declines on account of currency fluctuations in business with Switzerland and business restrictions with members of the CIS had an adverse impact. Gross profit improved by 1.6% to €1,100 million (previous year: €1,083 million).

Turnaround costs push down earnings trend

In the reporting year, EBIT in the division declined significantly from €293 million to €–181 million. It was impacted by high expenses of €336 million which were incurred for turnaround measures. These expenses include one-off effects related to NFE comprising impairment losses on capitalised assets in the amount of €310 million and subsequent costs of €26 million. EBIT was also impacted by an amount of €35 million relating to the potential earnings exposure of €200 million for full-year 2015 projected in the interim financial statements for the third quarter of 2015. At the same time, gross profit margins in air freight improved considerably; in ocean freight they stabilised at the expected low level. Return on sales declined to –1.2% (previous year: 2.0%). In the fourth quarter of 2015, however, the trend reversed: EBIT improved markedly by 39.4% to €99 million, up from the prior-year figure of €71 million.

Net working capital was reduced sharply in the reporting year, thanks to improved receivables management, which caused an equally sharp rise in operating cash flow to €487 million (previous year: €181 million).

SUPPLY CHAIN DIVISION

Continued revenue growth in all regions

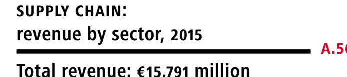
Revenue in the division increased by 7.2% to €15,791 million in the reporting year (previous year: €14,737 million). Positive currency effects of €1,244 million contributed to this growth; excluding these effects, revenue declined by 1.3%. The decrease is due mainly to the change in revenue reporting in connection with the UK National Health Service (NHS) in the fourth quarter of 2015 as a result of the revised terms of the contract. Compared with the previous year, the Automotive, Consumer and Retail sectors demonstrated the highest revenue growth. In the fourth quarter of 2015, revenue declined year-on-year by 3.9% from €3,953 million to €3,799 million, due primarily to NHS revenues in the amount of €465 million which were no longer recognised.

In the EMEA (Europe, Middle East and Africa) region, volumes in the Automotive and Retail sectors increased due to higher end-customer demand. Revenue in the Life Sciences & Healthcare sector declined, reflecting the change in the NHS revenue reporting in the UK.

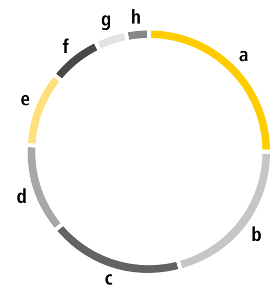
In the Americas region, we gained revenue from new business in the United States, driven predominantly by the Consumer and Automotive sectors. Revenue growth in Canada was impacted negatively as a whole by the loss of a contract in the Retail sector at the end of the second quarter of 2014.

In the Asia Pacific region there was a substantial revenue increase across all focus sectors. China and Thailand in particular contributed to this increase, which stemmed from new and additional business. In China, revenue increased significantly in the Automotive and Technology sectors. Revenue growth in Thailand came primarily from the Retail and Consumer sectors. Our business in India, Hong Kong, Vietnam and Japan also contributed to the increased revenue in the region.

SUPPLY CHAIN:
revenue by sector, 2015 A.56



Total revenue: €15,791 million



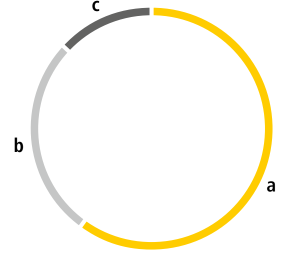
a	Retail	25%
b	Consumer	21%
c	Life Sciences & Healthcare	18%
d	Automotive	12%
e	Technology	10%
f	Others	7%
g	Engineering & Manufacturing	4%
h	Financial Services	3%

New business worth around €1,349 million secured

In 2015, the Supply Chain division concluded additional contracts worth around €1,349 million in annualised revenue with both new and existing customers. The Consumer, Retail, Automotive, Life Sciences & Healthcare and Technology sectors accounted for the majority of the gains. In the fourth quarter of 2015, the procurement and logistics contract with the UK NHS was extended to 2018 under the same scope but with new cost savings targets. The annualised contract renewal rate remained at a consistently high level.

SUPPLY CHAIN:
revenue by region, 2015 A.57

Total revenue: €15,791 million



a	Europe/Middle East/Africa/ Consolidation	60%
b	Americas	27%
c	Asia Pacific	13%

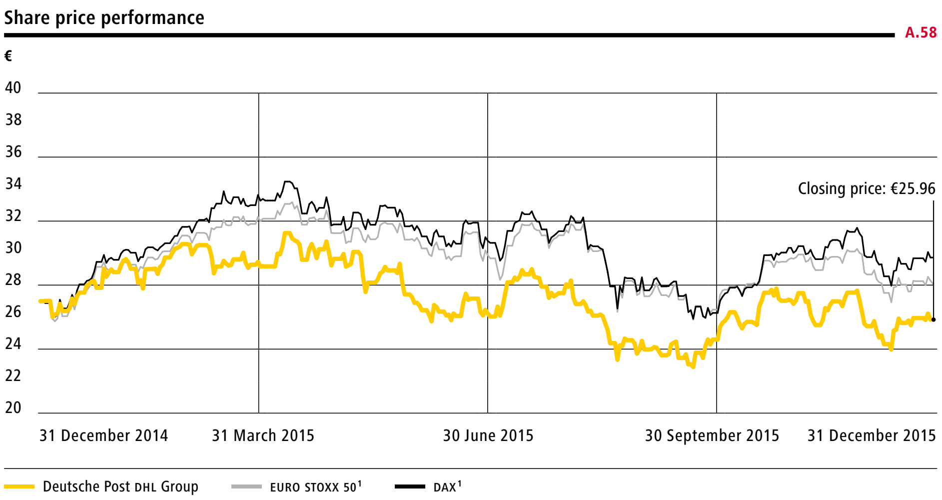
EBIT includes restructuring expenses and disposal income

EBIT in the division was €449 million in the reporting year (previous year: €465 million). The main reason for the decline was the restructuring costs supporting our "Focus. Connect. Grow." strategic initiative, which were offset partially by income from the sale of shares in King's Cross in the UK. New business also had a positive effect on earnings. The return on sales fell to 2.8% (previous year: 3.2%). In the fourth quarter of 2015, EBIT increased from €161 million in the previous year to €176 million. Higher income from real estate sales was dampened by restructuring costs.

Operating cash flow was €611 million (previous year: €673 million). The decrease was attributable mainly to EBIT performance and excludes the cash proceeds benefit of the King's Cross sale.

DEUTSCHE POST SHARES

Share price performance A.58



[1] Rebased to the closing price of Deutsche Post shares on 31 December 2014.

Deutsche Post shares stable compared with the rest of the industry

Deutsche Post shares closed at €25.96, down by 4.0% year-on-year. Although the shares thus underperformed the DAX (up 9.6%) and the EURO STOXX 50 (up 7.3%), when compared with the rest of the industry, our share performance was more stable. The MSCI World Transportation Index – made up of the most important transport stocks – lost a total of 9.0% in value in 2015. Our shares generated a loss of –0.9% on a total return basis, i.e., including the dividend per share. Average daily Xetra trading volumes were above the prior-year level at 4.4 million shares.

Deutsche Post shares: seven-year overview A.59

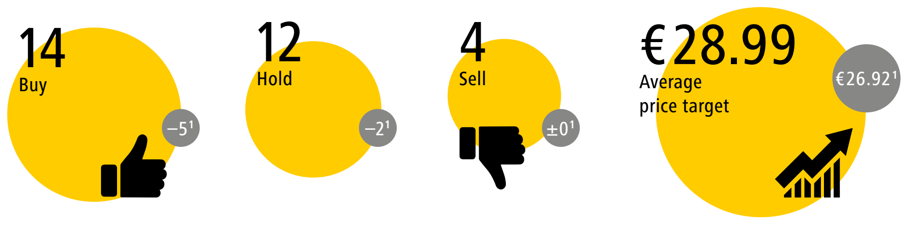
		2009	2010	2011	2012	2013	2014	2015
Year-end closing price	€	13.49	12.70	11.88	16.60	26.50	27.05	25.96
High	€	13.79	14.46	13.83	16.66	26.71	28.43	31.08
Low	€	6.65	11.18	9.13	11.88	16.51	22.30	23.15
Number of shares	millions	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0	1,211.2[1]	1,212.8[1]
Market capitalisation as at 31 December	€m	16,309	15,354	14,363	20,069	32,039	32,758	31,483
Average trading volume per day	shares	5,446,920	5,329,779	4,898,924	4,052,323	4,114,460	4,019,689	4,351,223
Annual performance including dividends	%	18.3	–1.4	–1.3	45.6	63.9	5.1	–0.9
Annual performance excluding dividends	%	13.3	–5.9	–6.5	39.7	59.6	2.1	–4.0
Beta factor[2]		0.91	0.95	1.19	0.88	0.86	0.94	0.95
Earnings per share[3]	€	0.53	2.10	0.96	1.36[7]	1.73	1.71	1.27
Cash flow per share[4]	€	–0.48	1.59	1.96	–0.17	2.47	2.51	2.84
Price-to-earnings ratio[5]		25.5	6.0	12.4	12.2[7]	15.3	15.8	20.4
Price-to-cash flow ratio[4, 6]		–28.1	8.0	6.1	–97.6	10.7	10.8	9.1
Dividend	€m	725	786	846	846	968	1,030	1,031[8]
Payout ratio	%	112.6	30.9	72.7	51.6	46.3	49.7	66.9[9]
Dividend per share	€	0.60	0.65	0.70	0.70	0.80	0.85	0.85[8]
Dividend yield	%	4.4	5.1	5.9	4.2	3.0	3.1	3.3

[1] Increase due to the operation of a bonus programme for executives Note 36. [2] Three-year beta; Source: Bloomberg. [3] Based upon consolidated net profit after deduction of non-controlling interests Note 22. [4] Cash flow from operating activities. [5] Year-end closing price/earnings per share. [6] Year-end closing price/cash flow per share. [7] Adjusted to reflect the application of IAS 19R. [8] Proposal. [9] Excluding one-off effects (NFE and strike-related effects, disposals and other one-off effects, some of which are based upon assumptions by management): 46.0%.

Peer group comparison: closing prices A.60

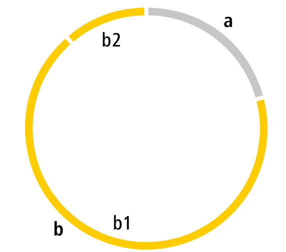
		30 Sept. 2015	31 Dec. 2015	+/– %	31 Dec. 2014	31 Dec. 2015	+/– %
Deutsche Post DHL Group	EUR	24.78	25.96	4.8	27.05	25.96	–4.0
bpost	EUR	21.23	22.59	6.4	20.79	22.59	8.7
Royal Mail Group	GBp	458.80	444.00	–3.2	429.90	444.00	3.3
FedEx	USD	143.98	148.99	3.5	173.66	148.99	–14.2
UPS	USD	98.69	96.23	–2.5	111.17	96.23	–13.4
Kuehne + Nagel	CHF	125.20	137.80	10.1	135.30	137.80	1.8

Analyst recommendations for Deutsche Post shares, 2015 A.61



[1] Year-on-year figures.

Shareholder structure[1] A.62



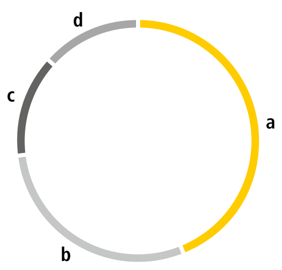
a	**KfW Bankengruppe**	**20.9%**
b	**Free float**	**79.1%**
b1	Institutional investors	67.8%
b2	Private investors	11.3%

[1] As at 31 December 2015.

Free float remains constant

The investment share of our largest investor – KfW Bankengruppe – is 20.9% (previous year: 21.0%) and the free float is 79.1%. Based upon our share register's figures, the share of outstanding stock held by private investors is 11.3% (previous year, adjusted: 10.3%). In terms of the regional distribution of identified institutional investors, the highest percentage of shares (13.5%) is held by US investors (previous year: 13.7%), followed closely by the United Kingdom with a share of 13.3% (previous year: 16.3%). The share of institutional investors in Germany increased to 11.7% (previous year: 10.8%). Our 25 largest institutional investors held a total of 38.2% of all issued shares (previous year: 36.6%).

Shareholder structure by region[1] A.63



a	Germany	44.0%
b	Other	29.2%
c	USA	13.5%
d	UK	13.3%

[1] As at 31 December 2015.

Investor relations work intensified

We held a total of 470 individual meetings and 95 group meetings with more than 840 investors at conferences and road shows during the reporting year. Our team visited all the major financial centres, including London, New York and Frankfurt am Main, as well as the emerging trading platforms in Asia.

NON-FINANCIAL FIGURES

Employees

Human Resources contributes to company success

We see HR excellence as a key factor for ensuring the Group's performance. By recruiting, developing and motivating the right employees all across our Group, we make a contribution to the company's success. Moreover, we place great importance on competitive reward and recognition for our employees. By doing so, we lay a solid foundation for productive and long-term working relationships.

Employee Opinion Survey in line with strategic direction

Objectives and strategies, page 33

In the reporting year, we further developed the questionnaire used for our annual Group-wide employee opinion survey. In doing so, we can ensure that it remains in line with Strategy 2020 and that results are comparable to those of other companies. The results of the Active Leadership indicator and the Employee Engagement key performance indicator relevant for internal management can be compared with the previous years. The response rate in 2015 was 73%, somewhat lower than the prior year. When compared externally and against the aspects addressed in the previous year, the trend is largely positive. In order to help protect the environment, most of the surveys were again conducted electronically: 59% of the questionnaires were sent online.

Selected results from the Employee Opinion Survey A.64

%	2014	2015
Response rate	77	73
KPI Active Leadership (new)	–	73
KPI Active Leadership (old)	71	72
KPI Employee Engagement (new)	–	73
KPI Employee Engagement (old)	72	72

Number of employees continues to rise slightly

As at 31 December 2015, we employed 450,508 full-time equivalents in more than 220 countries and territories, 1.5% more than in the previous year. The headcount at the end of the year was 497,745.

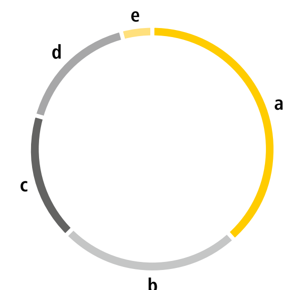
In the Post - eCommerce - Parcel division, we hired new employees primarily to support the strong, sustained growth in the parcel business in Germany, Europe and India. The number of employees in the Express division increased considerably compared with the previous year. This was necessary mainly in operations due to the increase in shipment volumes. In the Global Forwarding, Freight division, our workforce declined in the Global Forwarding business unit, primarily in Asia. In the Supply Chain division, our restructuring measures had an impact on staff levels, more than compensating for the increase in staff numbers resulting from new business.

Staff levels were up in nearly all regions. We saw the largest percentage increase in our workforce in the Americas; however, we continue to employ most of our personnel in Germany.

The opportunity for part-time employment was taken by 18% of all employees. 7.0% of employees left the Group unplanned over the course of the year.

Our current planning foresees another slight increase in the number of employees in financial year 2016.

Employees by region[1] A.65



a	Germany	38.4%
b	Europe (excluding Germany)	24.3%
c	Americas	17.0%
d	Asia Pacific	16.2%
e	Other	4.1%

[1] As at 31 December 2015; full-time equivalents.

Number of employees A.66

	2014	2015	+/–%
Full-time equivalents			
At year-end[1]	**443,784**	**450,508**	**1.5**
of which Post - eCommerce - Parcel	166,342	170,549	2.5
Express	75,185	82,127	9.2
Global Forwarding, Freight	44,059	42,200	–4.2
Supply Chain	146,220	145,032	–0.8
Corporate Center/Other	11,978	10,600	–11.5
of which Germany	170,596	173,042	1.4
Europe (excluding Germany)	108,890	109,646	0.7
Americas	74,573	76,666	2.8
Asia Pacific	71,216	72,723	2.1
Other regions	18,509	18,431	–0.4
Average for the year[2]	**440,809**	**449,910**	**2.1**
Headcount			
At year-end[2]	**488,824**	**497,745**	**1.8**
Average for the year	**484,025**	**492,865**	**1.8**
of which hourly workers and salaried employees	440,973	451,882	2.5
Civil servants	37,963	35,669	–6.0
Trainees	5,089	5,314	4.4

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

Staff costs exceed prior-year level

At €19,640 million, staff costs exceeded the prior-year level (€18,189 million), due mainly to exchange rates.

Staff costs and social security benefits A.67

€m

	2014	2015
Wages, salaries and compensation	14,583	15,723
Social security contributions	2,164	2,300
Retirement benefit expenses	965	1,031
Expenses for other employee benefits	477	586
Staff costs	**18,189**	**19,640**

Performance-based compensation

As a responsible employer, we offer our employees performance and market-based compensation in line with the company's long-term requirements. In addition, we provide defined benefit and defined contribution retirement plans in many countries and enable access to health insurance.

Systematic job grading ensures our remuneration structures are fair and balanced. When positions are graded, personal characteristics are not taken into consideration.

Future-oriented agreements

The Generations Pact, concluded between Deutsche Post AG and the trade unions in 2011, continues to be successful. In September 2015, the number of employees with the required working-time accounts surpassed 20,000; by the end of the year the number had reached 20,404. As at the end of 2015, 3,305 employees had already entered partial retirement. Now that legislators have laid the required foundations, we shall, in future, offer a comparable instrument for age-based working solutions to our civil servants.

In July 2015, we succeeded in concluding a collective agreement for more than 130,000 Deutsche Post AG employees in Germany. With a term of 32 months, the agreement gives us planning security until 31 January 2018. The DHL Delivery companies will remain part of the Post - eCommerce - Parcel division.

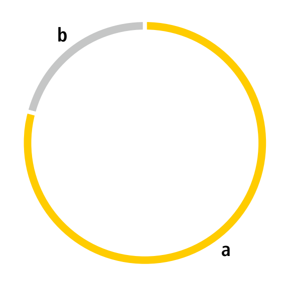
Targeted employee development

We intend to develop all employees in all divisions into certified specialists through our Group initiative Certified, which includes individual modules ranging from basic Group and industry knowledge to specific skills associated with a division and function. By 2020, we want to have certified around 80% of our workforce.

We offer our executives comprehensive training that focuses both on business as well as personal development.

Deutsche Post DHL Group offers numerous training opportunities in Germany. Depending upon their interests, secondary school graduates can choose from over 15 state-accredited apprenticeship schemes as well as ten dual-study programmes. In 2015, we offered 2,375 junior employees an apprenticeship or study opportunity; in 2016, we shall increase this offer to 2,458.

Gender distribution in management[1], 2015 A.68



a	Men	79.3%
b	Women	20.7%

[1] Based upon upper and middle management.

Seeing diversity as potential

People from various cultures, with different points of view and skills work together successfully at Deutsche Post DHL Group. It's precisely this diversity that we see as potential for the further growth of our organisation and an opportunity to attract and retain talent. We promote inclusion and reject any form of discrimination – principles that are part of our Group-wide Code of Conduct.

In 2015, we continued to make a concerted effort to strengthen the significance of diversity within our company. We trained employees, continued the Diversity Council's work and held another global Diversity Week.

As at 31 December 2015, the proportion of women in management worldwide was 20.7% (previous year: 19.3%), a figure we intend to raise continuously. A performance measurement system, regular reporting, a number of different divisional development programmes for female junior employees and women's networks, as well as options for improving work-family balance, will contribute to this at the company level.

Health and safety

Maintaining and improving the health of our employees

Our employees can only deliver first-class services to our customers if they are motivated and capable. Therefore, we seek to maintain and improve the health and well-being of our employees, primarily through prevention.

In the reporting year, we improved the quality of key performance indicators in all units. The worldwide illness rate was 5.1%.

Many preventive measures taken

We also harmonised our reporting methods and aligned them to international standards at Occupational Health & Safety. We now show all values regarding accidents on a Group-wide basis. Due to altered calculation processes, we are unable to provide values for the previous year.

We take many occupational safety measures to prevent accidents. In the reporting year, pedestrian and driver safety training were just some of the initiatives carried out in the 49 German branches of the Post - eCommerce - Parcel division. Moreover, to put even greater emphasis on the issue, we issued a new Group-wide guideline on occupational safety and health protection.

Workplace accidents A.69

	2015
Accident rate (number of accidents per 200,000 hours worked)[1]	4.0
Working days lost per accident[1]	15.6
Number of fatalities due to workplace accidents[2]	6

[1] Coverage: around 96%.
[2] Of which as a result of traffic accidents: 1.

Corporate responsibility

Focus on three action areas

As part of our corporate strategy we have made it our goal to be a benchmark company for responsible business. Furthermore, we have codified responsibility in our Code of Conduct, which is guided by both the principles of the Universal Declaration of Human Rights and the United Nations Global Compact and adheres to recognised legal standards, including key anti-corruption laws and agreements. The Group also supports the United Nation's Sustainable Development Goals. Our corporate responsibility activities concentrate on three focus areas:

Objectives and strategies, page 33

Responsible business practice: We co-ordinate the most important aspects and issues relating to responsible corporate governance in a Group-wide network that serves as a cross-divisional and cross-functional forum. Through on-going dialogue with our stakeholders, we ensure that their expectations and requirements as regards social and environmental issues are accounted for appropriately and that our business is aligned systematically with their interests. In the reporting year, we conducted a materiality analysis in which we identified the issues most important to us as regards governance, staff and the environment, set corresponding targets and established key performance indicators.

Social responsibility: The Group's social responsibility is pooled and managed under Corporate Citizenship. We provide logistical support in the wake of natural disasters, are committed to the educational and professional development of socially disadvantaged young people and support local environmental protection and aid projects. Furthermore, in the reporting year we launched an initiative together with partners in Germany to promote professional development and the integration of refugees.

Environmental management and shared value: Our Group-wide environmental management is based upon the value proposition of shared value. Measures to increase carbon efficiency and environmentally friendly GoGreen services help us to fulfil our responsibility towards the environment and society, and to create added value for our customers whilst strengthening our market position. In the reporting year, we worked together with our customers to design more environmentally friendly supply chains and thereby achieve cost-effective reductions in carbon emissions.

Greenhouse gas emissions fall slightly whilst carbon efficiency improves

We aim to reduce our dependency upon fossil fuels, improve our carbon efficiency and lower costs. We have anchored these goals throughout the entire Group with our GoGreen environmental protection programme. Our GoGreen products and services also help customers achieve their own environmental targets whilst concurrently opening up new business opportunities for the company. By the year 2020, we intend to improve the carbon efficiency of our own operations and those of our subcontractors by 30% compared with 2007. In order to measure and manage our target achievement we make use of a carbon efficiency index (CEX). Over the reporting year, the Group saw its carbon efficiency reach a score of 25 index points, an improvement of one index point on the prior year, due mainly to further significantly improved efficiency in the Express division.

Group management, page 38

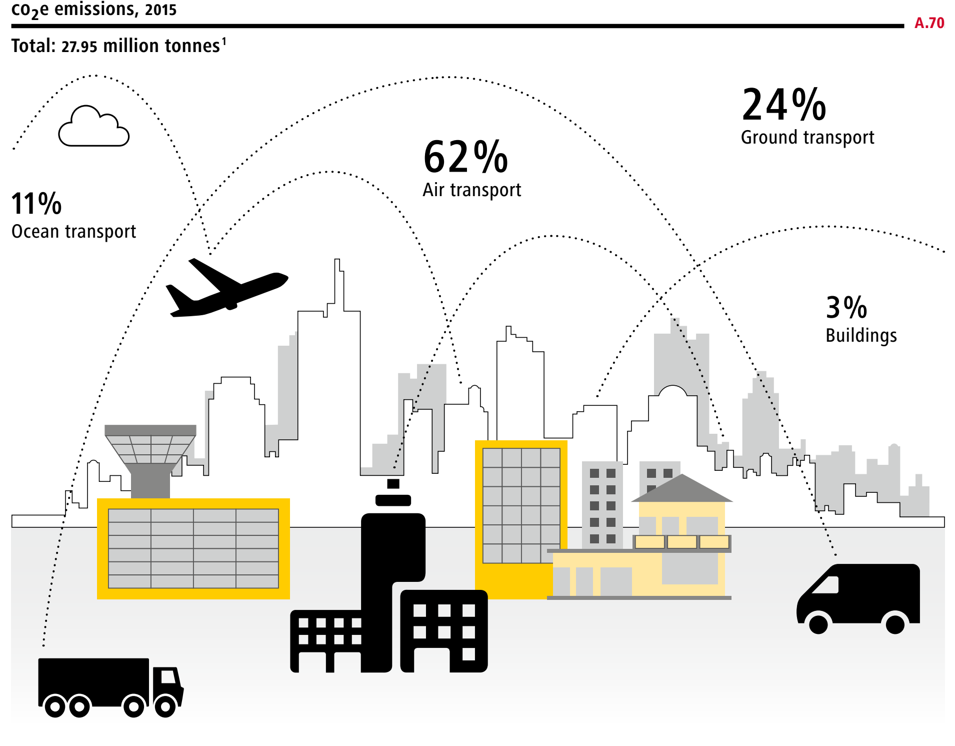
We quantify our CEX-based greenhouse gas emissions in accordance with the Greenhouse Gas Protocol Standards and DIN EN 16258; those attributable to our European air freight business are also calculated in accordance with the requirements of the European Union Emissions Trading System (EU ETS). Pursuant to DIN EN 16258, all gases that are harmful to the environment must be disclosed in the form of CO_2 equivalents (CO_2e). In 2015, our direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions amounted to 6.05 million tonnes (previous year: 5.67 million tonnes of CO_2e). This figure reflects the fuel consumption of our fleet and energy consumption in our buildings. The indirect greenhouse gas emissions (Scope 3) amounted to 21.90 million tonnes (previous year: 23.04 million tonnes of CO_2e).

Further details on our emissions performance can be found in our Corporate Responsibility Report.

dpdhl.com/cr-report2015

CO_2e emissions, 2015 A.70

Total: 27.95 million tonnes[1]



[1] Scopes 1 to 3.

Fuel and energy consumption in own fleet and buildings A.71

		2014 adjusted	2015
Consumption by fleet			
Air transport (jet fuel)	million kilograms	1,187.9	1,312.8
Road transport (petrol, biodiesel, diesel, bio-ethanol, LPG)	million litres	447.6	449.1
Road transport (biogas, CNG)	million kilograms	4.4	4.9
Energy for buildings and facilities (including electric vehicles)	million kilowatt hours	3,247	3,113

Sustainability ratings reaffirm our performance

In the reporting year, we maintained, and to some extent improved, our strong performance in the most well-known ratings, including the sustainability indices DJSI World, DJSI Europe, FTSE4Good and MSCI. We again received a very good ranking from the sustainability research company Sustainalytics. In the environmental field we achieved the maximum score in the CDP and were listed in the CDP Global 500 Climate Disclosure Leadership Index DACH. Further results can be found in our Corporate Responsibility Report.

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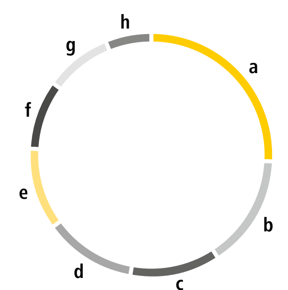
Procurement

Procurement expenses, 2015 A.72

Volume: €10.7 billion



a	Services	26%
b	Air fleet	15%
c	Ground fleet	12%
d	IT and communications	12%
e	Transport services	11%
f	Real estate	9%
g	Production systems	9%
h	Network supplies	6%

Group's procurement expenditure increased

In the year under review, the Group centrally purchased goods and services with a total value of around €10.7 billion (previous year: €10.3 billion). Procurement helps the divisions to reduce expenditure and make cost-effective investments.

For the Express division, a global tender was put out for the kerosene requirements of the division's aircraft. Costs were reduced through a tender for the operation of aircraft by partner airlines in Europe. A tender for retrofitting Boeing 757 aircraft also achieved savings. These procurement measures resulted in savings in the low tens of millions of euros.

Corporate Procurement purchased sorting and safety technology to expand the Express hub in Leipzig. It supported the Post - eCommerce - Parcel division with the procurement of sorting solutions.

A master agreement used by the Supply Chain division for the procurement of materials handling equipment was extended and improved in order to achieve on-going savings. The demand for support in the procurement of transport services for Supply Chain and Global Forwarding customers increased considerably.

In the reporting year, we expanded the established financing and payment model Supplier Finance, which is now used in 19 countries across all regions. Co-ordinated by Corporate Finance and Procurement, the programme supports the divisions in improving their working capital whilst suppliers benefit from favourable financing conditions.

Environmentally friendly procurement

In Germany, 3,140 emission-efficient Euro class 5 and 6 vehicles were put into operation and 1,163 Euro class 6 company cars were ordered. In addition, electric vehicles were manufactured and are being tested on mail and parcel delivery routes. Corporate Procurement was also involved in the purchasing of the required charging stations. The individual projects and CO_2 savings achieved are outlined in our Corporate Responsibility Report.

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Standardising supplier management

In the reporting year, we introduced an IT platform that contains comprehensive information about our suppliers – from determining demand quantities to automated tenders and ratings – thus optimising our internal processes.

Customers and quality

Facts and figures, customers and quality A.73

90 % D+1
Letters delivered within Germany the day after posting.

ISO CERTIFICATION
Ensuring harmonised quality standards.

Open 53 hours
Average weekly opening time of around 28,000 sales points in Germany.

Net Promoter Approach
Continuously turning criticism into improvements.

91.5 %
SATISFIED CUSTOMERS
According to independent market study *Kundenmonitor Deutschland.*

MYDHL PORTAL
Allowing business customers to easily send express items.

Insanely Customer Centric Culture
Keeping a constant eye on customer requirements.

TÜV-certified
Certified quality management system for letters and internal system for measuring parcel transit times.

OVER 500 ELECTRIC VEHICLES
Quality also means protecting the environment.

More than 250 locations certified by the Transported Asset Protection Association (TAPA).

CUSTOMER IMPROVEMENT PROJECTS
60 improvement initiatives successfully implemented in 2015.

Sending mail and parcels quickly and reliably

Our customers rate the quality of our services based upon whether posted items reach their destinations quickly, reliably and undamaged. According to surveys conducted by Quotas, a quality research institute, 90% of the domestic letters posted in Germany during our daily opening hours or before final collection are delivered to their recipients the next day. Although the nationwide labour strikes at mail centres and in letter and parcel delivery operations compromised the mail transit time in the reporting year, we still remain well above the legal requirement of 80%. In order to ensure this level of quality in the long term, our quality management is based upon a system that is certified each year by TÜV NORD, a recognised certification and testing organisation. Transit times for international letters are determined by the International Post Corporation. Here, we rank amongst the top postal companies.

In the parcel business, items usually reach their recipients the next working day. This is based upon parcels that were collected from business customers and that were delivered the next day. Our internal system for measuring parcel transit times has been certified by TÜV Rheinland since 2008. Furthermore, we are responding to changing customer requirements as regards flexible and reliable delivery with new delivery models.

In our mail business, we have, to date, achieved a high level of automation that exceeds 90%. In our parcel network, we have increased our sorting capacity by 50% since the launch of our Parcel Production Concept in 2012 by increasing productivity in our existing facilities and expanding our infrastructure nationwide. Additional parcel centres are currently under construction.

E-POST enables companies of all sizes and in all sectors to digitalise all business mail and as a result increase their profitability and service quality. Using a direct interface to their own IT environment, customers can use our software to send letters for digital or physical delivery. Private customers can securely organise and store their data and documents and pay bills online.

The average weekly opening time of our around 28,000 sales points in 2015 was 53 hours during the reporting year (previous year: 55 hours). The annual survey conducted by *Kundenmonitor Deutschland*, the largest consumer study in Germany, also showed a high acceptance of our exclusively partner-operated retail outlets: 91.5% of customers were satisfied with our quality and service (previous year: 91%). In addition, impartial mystery shoppers from TNS Infratest tested the postal outlets in retail stores around 38,000 times over the year. The result showed that 93.4% of customers were served within three minutes (previous year: 94.5%).

Another central characteristic of the quality of our products is environmental protection. We employ a TÜV NORD-certified environmental management system in our mail and parcel businesses in Germany. Moreover, we have successfully implemented the EU energy efficiency directive in Germany. Our GoGreen products offer private and business customers climate-neutral shipping options. We operate one of the largest electric vehicle fleets in the world, comprising over 500 vehicles. Furthermore, we use environmentally-friendly technologies in our buildings and operating facilities, such as LEDs, and we have also increased our use of renewable energies.

Service quality and exceptional customer-centricity in express business

We want to offer our customers the best possible service quality all around the world and thus place high demands on our products, processes, infrastructure and employees. Therefore, we keep a constant eye on the changing requirements of our customers, for example, through our Insanely Customer Centric Culture (ICCC) programme. Whenever our employees – as couriers, in customer service or in sales – are in contact with a customer, their feedback is documented and evaluated. As part of the Net Promoter Approach, our managers talk to dissatisfied customers personally in order to find out the root causes of their dissatisfaction. Customer criticism is thereby integrated into our continuous improvement processes.

Via our online portal MyDHL and the Small Business Solution section, small and medium-sized business customers in particular can ship their goods with ease and obtain comprehensive information about shipping. Moreover, since this year customers in even more countries have been able to obtain information about our shipping options online and at a glance – such as our nearest service point locator or the online or telephone booking of our customer pick-up service – including associated pricing.

In Europe, we can provide our global customers with a central point of contact with our European Key Account Support. The staff of this service team speak several languages, are available every weekday and co-ordinate the services of various DHL business units in multiple countries. Upon request, shipment information can even be updated directly in the customer's systems.

We use quality control centres to track shipments worldwide and adjust our processes as required. Should unforeseen events occur, flight and shipment routes can be altered immediately. All our premium products are tracked by default – for example, Medical Express shipments – until they are delivered. If shipments include sensitive items, we also immediately take all necessary measures to ensure that they reach the recipient at the agreed time and in the agreed quality.

As of the reporting year, customers in a number of countries can track their shipments on mobile devices as well as choose the delivery time and location, which increases the first delivery success rate.

Our operational safety, compliance with standards and the quality of service at our facilities are reviewed regularly in co-operation with government authorities. Approximately 280 locations – over 120 of which are in Europe – 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 field. Our sites have had global ISO 9001:2008 certification since 2013, thus validating our policy of harmonising quality standards. In Europe and Australia, our facilities are also ISO 14001:2004-certified. Additional countries in the Europe region were certified in the reporting year, including Turkey. Furthermore, we have laid the foundation in Europe for a sustainable energy management system with the first ISO-50001:2011 certifications.

Customer feedback systematically improves forwarding business

In the Global Forwarding business unit, we are using customer feedback to systematically improve our offering. The on-going customer response that we collect via the Net Promoter Approach has again generated specific feedback. The corresponding approach was expanded to cover 29 additional countries in the reporting year, with more to follow in 2016.

Satisfied customers are our highest priority. We have more than 120 initiatives to improve the service we provide. In the reporting year, we successfully completed 60 of these Customer Improvement Projects – with visible improvements in punctuality, reporting and invoicing. Various measures were implemented to ensure that our operating performance in the Global Forwarding business unit is reviewed and improved continuously. Regular performance dialogues have been established and employees trained to apply structured problem-solving techniques. As a result, we are able to respond quickly to customer needs and counteract looming problems.

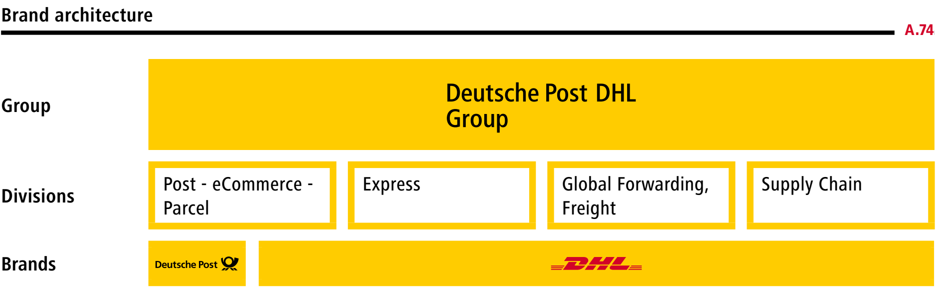
In the Freight business unit, we set ourselves the goal of delivering the best customer experience in order to attract more customers and increase their loyalty. To this end, we are bolstering our customer service and investing heavily in systems to improve process management and communication between customers and DHL employees.

Quality leader in the supply chain business

We want to be the quality leader in contract logistics – the company that best understands customers' needs and leads the way in customer satisfaction. To this end, we implement practices and methodologies that provide our customers with the highest level of service quality and the most added value. We use globally tested processes to offer our customers comparable solutions and uniformly high service standards. In order to measure and monitor the quality of our service, we have defined a number of key performance indicators for the division, which include safety and operational performance. We consistently deliver products and services which meet the highest service standards worldwide, achieving more than 95% in all relevant categories.

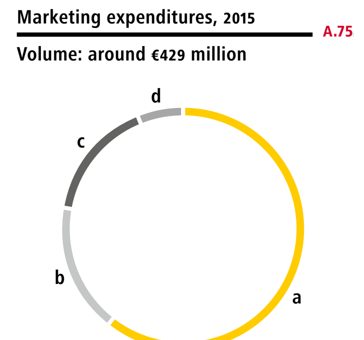
Brands

Brand architecture A.74



Marketing expenditures, 2015 A.75

Volume: around €429 million



a	Product development and communication	60.6%
b	Other	17.2%
c	Public & customer relations	16.2%
d	Corporate wear	6.0%

Value of Group brands continues to rise

According to independent studies, the strength of the Deutsche Post DHL Group brands continued to grow in the reporting year.

Market research institute Millward Brown valued the DHL brand at US$16.3 billion (previous year: US$13.7 billion), moving the company up seven places to 66th on the list of the Top 100 Most Valuable Global Brands. The study looks at financial figures as well as market and consumer research data. Interbrand, a brand consulting company, uses as similar system to rank the world's most valuable brands each year. Our DHL brand was valued at US$5.4 billion (previous year: US$5.1 billion), moving it up one place to 80th in the 2015 Interbrand ranking.

Interbrand valued our domestic Deutsche Post brand at €979 million (previous year: €936 million), moving it up one place to 30th on the list of Germany's most valuable brands. The consulting company Brand Finance gave the brand the same ranking in the "German Top 50", valuing it at €2.7 billion (previous year: €2.5 billion).

Value of Group brands in 2015 A.76

[1] Source: Millward Brown, 2015.
[2] Source: Brand Finance, 2015.
[3] Source: Interbrand, 2015.

Global DHL brand campaign

In March 2015, we launched our global brand campaign with the tagline "The Power of Global Trade", which focuses upon the positive impact of global trade – supported by DHL's logistics services – on people's lives. The campaign comprises print and online advertising, TV commercials and social media activities that target a global audience as well as those in key domestic markets.

Wide-ranging partnerships with national and international events

DHL provides logistics services to support popular international events. For example, in July 2015 we announced a three-year logistics partnership with motorcycle racing series MotoGP™. We were also the Official Logistics Partner of Rugby World Cup 2015 and as part of our international e-commerce and logistics partnership with German football club FC Bayern Munich, we supported, amongst other things, the launch of the club's online fan shop in China. Furthermore, we continued our partnerships with Fashion Week events, *Cirque du Soleil*®, *Gewandhausorchester Leipzig*, Formula 1® and Formula E.

Sports sponsorships also strengthen people's emotional ties with the Deutsche Post brand, which is why we are involved with the amateur football platform www.fussball.de, the DFB cup and the German national teams in partnership with the *Deutsche Fußball-Bund* (German football federation). During the Women's FIFA World Cup Canada 2015™, we ran a multimedia brand campaign. We also continued our other sports partnerships in 2015, such as the *Deutsche Tourenwagen Masters* (DTM – German Touring Car Masters) race series.

POST-BALANCE-SHEET DATE EVENTS

Remaining shares in King's Cross sold

The remaining shares in the property development companies King's Cross Central Property Trust, UK, and King's Cross Central General Partner Ltd., UK, assigned to the Supply Chain division were sold at the end of January 2016.

OPPORTUNITIES AND RISKS

Overall Board of Management assessment of opportunity and risk situation

No foreseeable risk to the Group

Identifying opportunities and swiftly capitalising upon them and counteracting risks are important objectives for our Group. We already account for the anticipated impact of potential events and developments in our business plan. Opportunities and risks are defined as potential deviations from projected earnings. In consideration of our current business plan, the Group's overall opportunity and risk situation has not changed significantly compared with last year's risk report. No new risks have been identified that could have a potentially critical impact upon the Group's result. Based upon the Group's early warning system and in the estimation of its Board of Management, there were no identifiable risks for the Group in the current forecast period 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. The assessment of a stable to positive outlook is moreover reflected in the Group's credit ratings.

Financial position, page 56

Opportunity and risk management

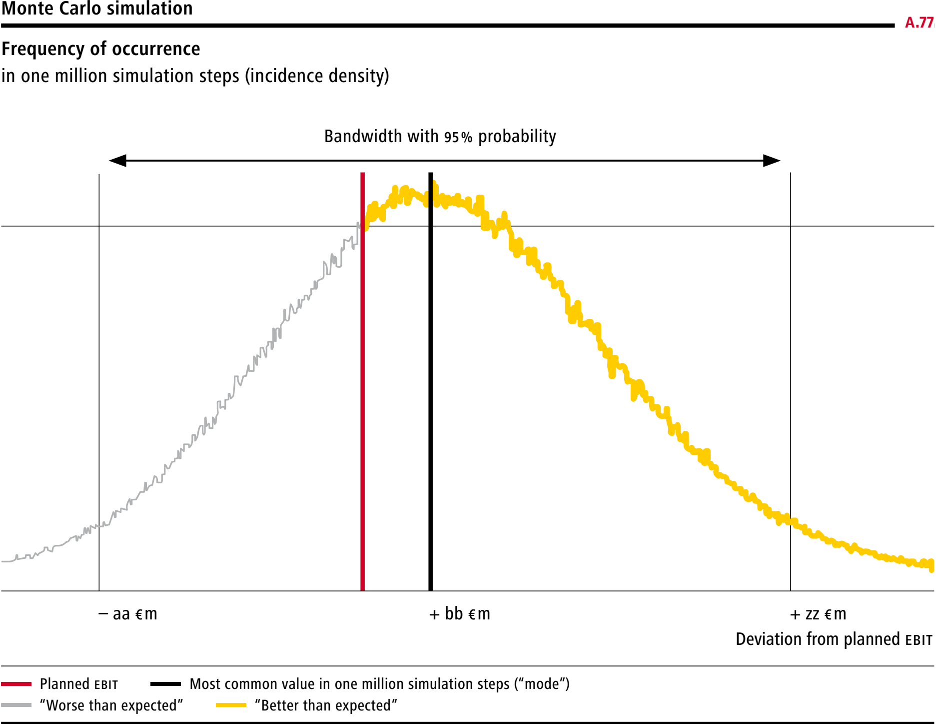
Uniform reporting standards for opportunity and risk management

As an internationally operating logistics company, we are facing numerous changes. Our aim is to identify the resulting opportunities and risks at an early stage and take the necessary measures in the specific areas affected in due time to ensure that we achieve a sustained increase in enterprise value. Our Group-wide opportunity and risk management system facilitates this aim. Each quarter, managers estimate the impact of future scenarios, evaluate opportunities and risks in their departments and present planned measures as well as those already taken. Queries are made and approvals given on a hierarchical basis to ensure that different managerial levels are involved in the process. Opportunities and risks can also be reported at any time on an ad hoc basis.

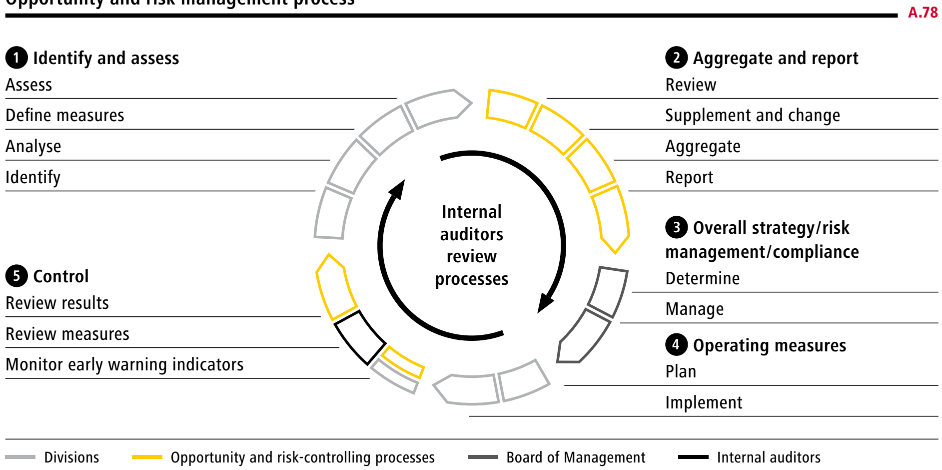
Our early identification process links the Group's opportunity and risk management with uniform reporting standards. We continuously improve the IT application used for this purpose. Furthermore, we use a Monte Carlo simulation for the purpose of aggregating opportunities and risks in standard evaluations.

The simulation is a stochastic model that takes the probability of occurrence of the underlying risks and opportunities into consideration and is based upon the law of large numbers. One million randomly selected scenarios – one for each opportunity and risk – are combined on the basis of the distribution function of each individual opportunity and risk. The resulting totals are shown in a graph of frequency of occurrence. The following graph shows an example of such a simulation:

Monte Carlo simulation A.77



Opportunity and risk management process A.78



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

1. **Identify and assess:** Managers in all divisions and regions evaluate the opportunity and risk situation on a quarterly basis and document the action taken. They use scenarios to assess best, expected and worst cases. Each identified risk is assigned to one or more managers who assess and monitor the risk, specify possible procedures for going forwards and then file a report. The same applies to opportunities. The results are compiled in a database.
2. **Aggregate and report:** The controlling units collect the results, evaluate them and review them for plausibility. If individual financial effects overlap, they are 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 last step is complete when Corporate Controlling reports to the Group Board of Management on significant opportunities and risks as well as on the potential overall impact each division might experience. For this purpose, 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 combine the respective scenarios. The totals for "worst case" and "best case" indicate the total spectrum of results for the respective division. Within these extremes, the total "expected cases" shows current expectations. The second method makes use of a Monte Carlo simulation, the divisional results of which are regularly included in the opportunity and risk reports to the Board of Management.
3. **Overall strategy:** The Group Board of Management decides on the methodology that will be used to analyse and report on opportunities and risks. The reports created by Corporate Controlling provide an additional, regular source of information to the Board of Management for the overall steering of the Group.
4. **Operating measures:** The measures to be used to take advantage of opportunities and manage risks are determined within the individual organisational units. They use cost-benefit analyses to assess whether risks can be avoided, mitigated or transferred to third parties.

5 **Control**: For key opportunities and risks, early warning indicators have been defined that are monitored constantly by those responsible. Corporate Internal Audit 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), No. 5 of the *Handelsgesetzbuch* (HGB – German Commercial Code) and explanatory report)
Deutsche Post DHL Group uses an internal control system (ICS) to ensure that Group accounting adheres to generally accepted accounting principles. The 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 must be entered and processed accurately and completely. Accounting mistakes are to be avoided in principle and significant assessment errors uncovered promptly.

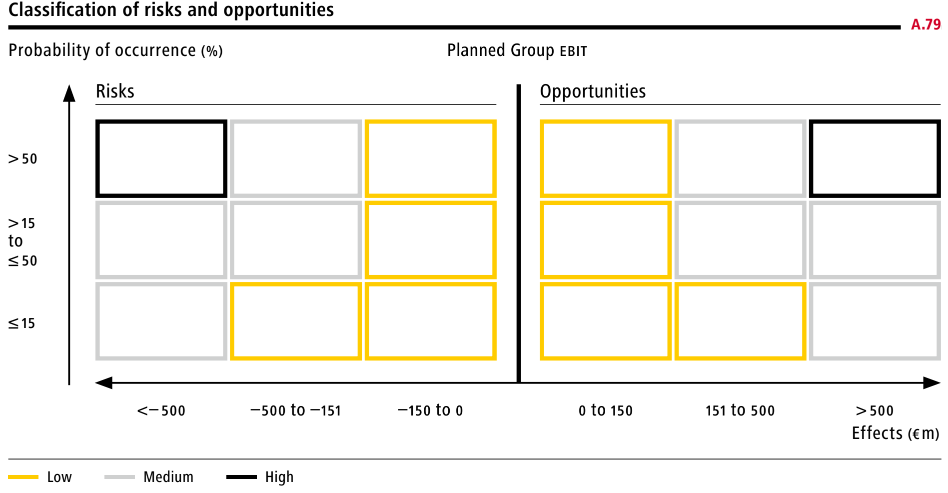
The ICS design comprises organisational and technical measures that extend to all companies in the Group. Centrally standardised accounting guidelines govern the reconciliation of the single-entity financial statements and ensure that international financial reporting standards (EU IFRSs) are applied in a uniform manner throughout the Group. All Group companies are required to use a standard chart of accounts. We immediately assess new developments in international accounting for relevance and announce their implementation in a timely manner, for example, in monthly newsletters. Often, accounting processes are pooled in a shared service 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 ICS components include automatic plausibility reviews and system validations of the accounting data. In addition, regular, manual checks are carried out decentrally by those responsible at the local level (a chief financial officer, for example), and centrally by Corporate Accounting & Controlling, Taxes and Corporate Finance at the Corporate Center.

Over and above ICS and risk management, Corporate Internal Audit is an essential component of the Group's control 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. The data reported are checked and analysed chronologically, both upstream and downstream. If necessary, we call in outside experts. Finally, the Group's standardised process for preparing financial statements using a centrally administered financial statements calendar guarantees a structured and efficient accounting process.

Reporting and assessing opportunities and risks
In the following, we have reported mainly on those risks and opportunities which, from the current standpoint, could have a significant impact upon the Group during the forecast period beyond the impact already accounted for in the business plan. The risks and opportunities have been assessed in terms of their probability of occurrence and

their impact. The assessment is used to classify the opportunities and risks into those of low, medium or high relevance. We characterise opportunities and risks of medium or high relevance as significant. The following assessment scale is used:

Classification of risks and opportunities A.79



The opportunities and risks described here are not necessarily the only ones the Group faces or is exposed to. Our business activities could also be influenced by additional factors of which we are currently unaware or which we do not yet consider to be material.

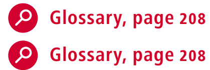
Opportunities and risks are identified and assessed decentrally at Deutsche Post DHL Group. Reporting on possible deviations from projections, including latent opportunities and risks, occurs primarily at the country or regional level. In view of the degree of detail provided in the internal reports, we have combined the decentrally reported opportunities and risks into the categories shown below for the purposes of this report. It should be noted that the underlying individual reports – with the exception of those on the world economy and global economic output – usually exhibit a zero to minimal correlation. It is unlikely that several major opportunities or risks would occur systematically at the same time in a single category or across categories.

Unless otherwise specified, a low relevance is attached to individual opportunities and risks within the respective categories and in the forecast period under observation (2016). With respect to opportunities and risks arising from potential or on-going legal proceedings, we generally refrain from making an assessment to avoid affecting our position in the proceedings. The opportunities and risks generally apply for all divisions, unless indicated otherwise.

Categories of opportunities and risks

Opportunities and risks arising from political, regulatory or legal conditions

A number of risks arise primarily from the fact that the Group provides some of its services in a regulated market. Many of the postal services rendered by Deutsche Post AG and its subsidiaries (particularly the Post - eCommerce - Parcel division) are subject to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Glossary, page 208

sector-specific regulation by the ***Bundesnetzagentur*** (German federal network agency) pursuant to the ***Postgesetz*** (PostG – German Postal Act). The *Bundesnetzagentur* approves or reviews prices, formulates the terms of downstream access and has special supervisory powers to combat market abuse.

On 25 January 2012, the European Commission issued a ruling on the formal investigation regarding state aid that it had initiated on 12 September 2007. In its review, the European Commission determined that Deutsche Post AG was not overcompensated for providing universal services between 1989 and 2007 using state resources. It also did not find fault with the guarantees issued by the German state for legacy liabilities. By contrast, in its review of funding for civil servants' pensions, the European Commission concluded that illegal state aid had, in part, been received. It found that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG's receiving a benefit, which it must repay to the Federal Republic of Germany; in addition, it must also be ensured that no benefits are received in the future which could be considered illegal state aid. The commission furthermore stated that the precise amount to be repaid was to be calculated by the Federal Republic of Germany. 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 state aid decision of 25 January 2012 cannot withstand legal review and has filed an appeal with the European Court of Justice in Luxembourg. The Federal Republic of Germany has similarly appealed the decision.

To implement the state aid ruling, the federal government called upon Deutsche Post AG on 29 May 2012 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 to the Administrative Court. The appeal, however, has been suspended pending a ruling from the European Court. The company made additional payments to the trustee of €19.4 million on 2 January 2013, €15.6 million on 2 January 2014, €20.2 million on 2 January 2015 and €20.1 million on 4 January 2016. Those payments were reported in the balance sheet under non-current assets; the earnings position remained unaffected. The European Commission has not expressed its final acceptance of the calculation of the state aid to be repaid. On 17 December 2013, it initiated proceedings with the European Court of Justice against the Federal Republic of Germany to effect a higher repayment amount. In its decision on those proceedings of 6 May 2015, the European Court of Justice merely ruled that Germany must independently define the individual markets before making the calculation. It did not rule on the amount of the repayment claim.

In its ruling of 18 September 2015, the General Court of the European Union held that the decision of the European Commission dated 12 September 2007 regarding the initiation of a formal state aid investigation was null and void based upon a complaint filed by Deutsche Post. The legal action did not involve the substantive proceedings, but rather the procedural side issue of whether the European Commission was acting within its rights in reopening the state aid proceedings in 2007. In 2007, Deutsche Post had filed an action against the reopening of the state aid proceedings as a precautionary measure. The substantive proceedings of the legal dispute will continue, i.e. the action brought by Deutsche Post against the EU state aid ruling of 25 January 2012 that is still pending before the General Court of the European Union.

If the appeals of Deutsche Post AG or the federal government against the state aid ruling are successful, the opportunity exists that the payment of €298 million and the payments of €19.4 million, €15.6 million, €20.2 million and €20.1 million made in

addition – as well as the additional annual payments of around €20 million to be made in the future – will be reimbursed. Reimbursement would only affect the liquidity of Deutsche Post AG; the earnings position would remain unaffected.

Although Deutsche Post AG and the federal government are of the opinion that the state aid decision of 25 January 2012 cannot withstand legal review, it cannot be ruled out that Deutsche Post AG will ultimately be required to make a potentially higher payment, which could have an adverse effect on earnings.

In addition to the opportunities and risks arising from sector-specific regulation pursuant to the ***Postgesetz*** (PostG – German Postal Act), the company is subject to additional opportunities and risks arising from legal conditions.

Glossary, page 208

On 5 November 2012, the *Bundeskartellamt* (German federal cartel office) initiated proceedings against Deutsche Post AG on suspicion of abusive behaviour with respect to mail transport for major customers. Based upon information from Deutsche Post's competitors, the authorities suspected that the company had violated German and European antitrust law. In a decree dated 2 July 2015, the *Bundeskartellamt* determined that such violations had indeed taken place but also that Deutsche Post had discontinued them at the end of 2013. No fine was imposed. The company appealed the decision to the Higher Regional Court in Düsseldorf on 4 August 2015 and submitted a statement setting out the grounds of appeal within the prescribed period.

We describe other significant legal proceedings in the **Notes**. However, we do not see these proceedings posing a risk of significant deviation from plan for the forecast period 2016.

Note 51

Macroeconomic and industry-specific opportunities and risks

Macroeconomic and sector-specific conditions are a key factor in determining the success of our business. For this reason, we pay close attention to economic trends in the regions. Despite the volatile economic climate, demand for logistics services rose in 2015, as did the related revenues.

A variety of external factors offer us numerous opportunities; indeed we believe that the global market will continue to grow. Advancing globalisation means that the logistics industry will continue to expand at least as fast, as or faster than, the world economy as a whole. This is especially true of Asia, where trade flows to other regions and in particular within the continent will continue to increase. As the market leader, the expansion will benefit us with our DHL divisions to an above-average extent. This also applies to other regions with strong economic growth such as South America and the Middle East, where we are similarly well positioned to take advantage of the market opportunities arising.

Whether and to what extent the logistics market will grow depends on a number of factors. The trend towards outsourcing business processes continues. As a result, supply chains are becoming more complex and more international, but are also more prone to disruption. Customers are therefore calling for stable, integrated logistics solutions, which is what we provide with our broad-based service portfolio. We continue to see growth opportunities in this area, in particular in the Supply Chain division and as a result of closer co-operation between all our 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 domestic and international parcel business, which we intend to tap into by expanding our parcel network.

Glossary, page 208

We are nonetheless unable to rule out the possibility of an economic downturn in specific regions or a stagnation or decrease in transport quantities. However, this would not reduce demand in all business units. Indeed, the opposite effect could arise in the parcel business, for example, as a result of more frequent online purchasing amongst consumers. Companies might also be forced to outsource transport services in order to lower costs. Cyclical risks can affect our divisions differently with respect to magnitude as well as point in time, which may mitigate the total effect. Therefore, we consider these to be medium-level risks. Moreover, we have taken measures in recent years to make costs more flexible and to allow us to respond quickly to a change in market demand.

Deutsche Post and DHL are in competition with other providers. Such competition can significantly impact our customer base as well as the levels of prices and margins in our markets. In the mail and logistics business, the key factors for success are quality, customer confidence and competitive prices. Thanks to the high quality we offer, along with the cost savings we have generated in recent years, we believe that we shall be able to remain competitive and keep any negative effects at a low level.

Financial opportunities and risks

As a global operator, we are inevitably exposed to financial opportunities and risks. These are mainly opportunities or risks arising from fluctuating exchange rates, interest rates and commodity prices and the Group's capital requirements. We attempt to reduce the volatility of our financial performance due to financial risk by implementing both operational and financial measures.

Opportunities and risks with respect to currencies may result from scheduled foreign currency transactions or those budgeted for the future. Significant currency risks from budgeted transactions are quantified as a net position over a rolling 24-month period. Highly correlated currencies are consolidated in blocks. Some of the identified risks are hedged using derivatives. The most important net surpluses are budgeted at the Group level in pound sterling, Japanese yen and Indian rupee. The Czech crown is the only currency with a considerable net deficit. By offsetting the net deficit in US dollars with surpluses in other highly correlated currencies, the net risk in the "US dollar block" at the Group level is relatively balanced and thus not actively managed. The average hedging level for the year 2016 was approximately 57% as at the reporting date.

A potential general devaluation of the euro presents an opportunity for the Group's earnings position. Based upon current macroeconomic estimates, we consider this opportunity to be of low relevance. The main risk to the Group's earnings position would be a general appreciation of the euro. The significance of this is deemed low when considering the individual risks arising from the performance of the respective currencies.

The overall risk of all these currency effects is deemed to be of medium relevance for the Group.

As a logistics group, our biggest commodity price risks result from changes in fuel prices (kerosene, diesel and marine diesel). In the DHL divisions, most of these risks are passed on to customers via operating measures (fuel surcharges). We have entered into noteworthy hedging transactions for the purchase of diesel in the Post - eCommerce - Parcel division.

The key control parameters for liquidity management are the centrally available liquidity reserves. Deutsche Post DHL Group had central liquidity reserves of €4.2 billion as at the reporting date, consisting of central financial investments amounting to €2.2 billion plus a syndicated credit line of €2 billion. The Group's liquidity is therefore sound in the short and medium term. Moreover, the Group enjoys open access to the capital markets on account of its good ratings within the industry, and is well positioned to secure long-term capital requirements.

The Group's net debt amounted to €1.1 billion at the end of 2015. The share of financial liabilities with short-term interest rate lock-ins in the total financial liabilities in the amount of €5.2 billion was approximately 11%.

Further information on the Group's financial position and finance strategy as well as on the management of financial risks can be found in the report on the economic position and in the **Notes**.

Note 48

Opportunities and risks arising from corporate strategy

Over the past few years, the Group has ensured that its business activities are well positioned in the world's fastest-growing regions and markets. We are also constantly working to create efficient structures in all areas to enable us to flexibly adapt capacities and costs to demand – a prerequisite for lasting, profitable business success. With respect to strategic orientation, we are focusing upon our core competencies in the mail and logistics businesses with an eye towards growing organically and simplifying our processes for the benefit of our customers. Our earnings projections regularly take account of development opportunities arising from our strategic orientation. Risks arising from the current corporate strategy, which extends over a long-term period, are considered to be of low relevance for the Group in the period under review. The divisions face the following special situations:

In the Post - eCommerce - Parcel division, we are responding to the challenges presented by the structural change from a physical to a digital business. We are counteracting 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 and take these into account in our earnings projections. For the specified forecast period, we do not see these developments as having significant potential to impact our business negatively.

In the Express division, our future success depends above all upon 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 upon fostering growth in our international business. We expect a further increase in shipment volumes. Based upon this assumption, we are investing in our network, our services, our employees and the DHL brand. Against the backdrop of the past trend and the overall outlook, we do not see any significant strategic opportunities or risks for the Express division beyond those reported in the section on "Opportunities and risks arising from macroeconomic and industry-specific conditions".

In the Global Forwarding, Freight division we purchase transport services from airlines, shipping companies and freight carriers rather than providing them ourselves. In the best-case scenario, we succeed in sourcing transport services on a cost-effective basis. We thus have the opportunity of generating higher margins. In the worst-case scenario, we bear the risk of not being able to pass on all price increases to our customers. The extent of the opportunities and risks essentially depends on trends in the supply, demand and price of transport services as well as the duration of our contracts. Comprehensive knowledge in the area of brokering transport services helps us to capitalise on opportunities and minimise risk.

In the Supply Chain division, we provide customers in a variety of industries with solutions along the entire logistics chain. Our success is highly dependent on our customers' business success. Since we offer customers a widely diversified range of products in different sectors all over the world, we can diversify our risk portfolio and thus counteract 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 and customer segments. We do not see any significant strategic opportunities or risks for the Supply Chain division beyond those reported in the section entitled "Opportunities and risks arising from macroeconomic and industry-specific conditions".

Opportunities and risks arising from internal processes

For us to render our services, a number of internal processes must be aligned. These include – in addition to the fundamental operating processes – supporting functions such as sales and purchasing as well as the corresponding management processes. The extent to which we succeed in aligning our internal processes to meet customer needs whilst simultaneously lowering costs correlates with potential positive deviations from the current projections. We are steadily improving internal processes with the help of our First Choice initiatives. This improves customer satisfaction whilst reducing our costs. Our earnings projection already incorporates expected cost savings.

Logistics services are generally provided in bulk and require a complex operational infrastructure with high quality standards. To consistently guarantee reliability and punctual delivery, processes must be organised so as to proceed smoothly with no technical or personnel-related glitches. Any weaknesses with regard to the tendering, sorting, transport, warehousing or delivery of shipments could seriously compromise our competitive position. To enable us to identify possible disruptions in our workflows and take the necessary measures at an early stage, we have developed a global IT platform that depicts and integrates our global supply chains and locations. Near real-time information on incidents relevant to security flows into the system, which in cases of disruption also serves as a central communications platform. This poses a competitive advantage that has already met with a high degree of interest from both security agencies and customers.

Opportunities and risks arising from information technology

The security of our information systems is particularly important to us. The goal is to ensure continuous IT system operation and prevent unauthorised access to our systems and databases. To fulfil this responsibility, the Information Security Committee, a sub-committee of the IT Board, has defined guidelines and procedures based upon ISO 27002, 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 on-going basis. For our processes to run smoothly at all times, the essential IT systems must be constantly available. We ensure this by designing our systems to protect against complete system failures. In addition to third-party data centres, we operate central data centres in the Czech Republic, Malaysia and the United States. Our systems are thus geographically separate and can be replicated locally.

We limit access to our systems and data such that employees can only access the data they need to perform their duties. All systems and data are backed up on a regular basis, and critical data are replicated across data centres.

All of our software is updated regularly 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.

Based upon the measures described above, we estimate the probability of experiencing a significant IT incident with serious consequences as highly unlikely.

Our E-POST communication platform was re-certified in 2015 by the German Federal Office for Information Security in accordance with its standards for *IT-Grundschutz* following completion of the annual audit. The E-POST platform was also re-certified by TÜV Informationstechnik GmbH pursuant to trusted site privacy criteria.

Opportunities and risks arising from human resources

It is essential for us to have qualified and motivated employees in order to achieve long-term success. However, demographic change could lead to a decrease in the pool of available talent in various markets. We respond to this risk with various measures designed to motivate and engage our employees as well as promote their development.

We use Strategic Resource Management to address the risks arising from an aging population and the capacity shortages that may result from changing demographic and social structures. The experience gained is used to continuously improve strategic resource management as an analysis and planning instrument. The Generations Pact agreed upon with trade unions in Germany also contributes to taking advantage of the career experience of employees for as long as possible, whilst at the same time offering young people long-term career perspectives.

Employees, page 74

Possible increases in both chronic and acute diseases pose another risk to sustaining our business operations. We address this risk with a systematic health management programme and cross-divisional co-operation.

Health and safety, page 75

EXPECTED DEVELOPMENTS

Overall Board of Management assessment of the future economic position

Consolidated EBIT of €3.4 billion to €3.7 billion expected

The Board of Management expects consolidated EBIT to reach between €3.4 billion and €3.7 billion in financial year 2016. The Post - eCommerce - Parcel division is likely to contribute more than €1.3 billion to this figure. Compared with the previous year, we expect a significant improvement in overall earnings to between €2.45 billion and €2.75 billion in the DHL divisions. All of the DHL divisions are expected to contribute to the increase. Whereas earnings in the Express division are likely to continue rising steadily, a significant improvement is expected for Global Forwarding, Freight and Supply Chain now that the expenses incurred in connection with the transformation process will no longer arise. The Corporate Center/Other result is projected to remain at around €–0.35 billion. In line with the projected growth in EBIT, we expect that EAC will also grow substantially in 2016. Free cash flow is again expected to more than cover the dividend payment for financial year 2015 projected to be made in May 2016.

Forecast period

Outlook generally refers to 2016

The information contained in the report on expected developments generally refers to financial year 2016. However, in some instances we have chosen to extend the scope.

Future organisation

No material changes to the organisational structure planned

No material changes to the Group's organisational structure are planned for financial year 2016.

Future economic parameters

Uncertain outlook for the global economy

The global economy is expected to see a slight acceleration in 2016. However, the outlook is unusually precarious. The economic upturn in the industrial countries is likely to become somewhat stronger, aided by low oil prices and expansionary monetary policies. Higher growth rates are also expected for the emerging markets, assuming the severe recessions being experienced by some of the major threshold economies come to an end. However, the situation will remain problematic for countries dependent on crude oil exports in particular. In addition, there are a number of political and structural risks whose occurrence could ultimately impact the economies of the industrial countries.

Global economy: growth forecast

A.80

%

	2015	2016
World trade volumes	**2.6**	**3.4**
Real gross domestic product		
World	3.1	3.4
Industrial countries	1.9	2.1
Emerging markets	4.0	4.3
Central and Eastern Europe	3.4	3.1
CIS countries	–2.8	0.0
Emerging markets in Asia	6.6	6.3
Middle East and North Africa	2.5	3.6
Latin America and the Caribbean	–0.3	–0.3
Sub-Saharan Africa	3.5	4.0

Source: International Monetary Fund (IMF) World Economic Outlook, January 2016 update.
Growth rates calculated on the basis of purchasing power parity.

The Chinese economy is likely to remain muted. No major momentum is expected from the export sector. The structural changes associated with transitioning to a greater focus upon growing the domestic economy are proving a long-term challenge for the government. GDP growth is expected to soften notably (IMF: 6.3%; OECD: 6.5%). The Japanese economy is likely to expand at a cautious pace, growing somewhat but at a low level (IMF: 1.0%, OECD: 1.0%; IHS: 1.0%).

In the United States, private consumption will benefit from a significant drop in the unemployment rate and lower energy prices. By contrast, exports will suffer from the weak global economic trend and the strong US dollar. All in all, GDP may increase slightly more in 2016 than in the previous year (IMF: 2.6%; OECD: 2.5%; IHS: 2.4%).

In the euro zone, the economic recovery is expected to accelerate slightly. Private consumption will see solid growth thanks to low energy prices and rising employment. A significant increase in imports is likely to be offset by a similar expansion in exports, which will benefit from the weak euro. GDP is likely to see somewhat stronger growth on the whole (IMF: 1.7%; ECB: 1.7%; IHS: 1.7%).

Early indicators suggest that the German economy will continue to grow. Private consumption and state spending will again rise notably. Momentum is also expected to come from corporate investment and residential construction spending. Whilst exports are likely to benefit from the weak euro, the muted world economy will hinder growth. Growth for 2016 as a whole is expected to resemble that of the prior year (IMF: 1.7%; *Sachverständigenrat* 1.6%; IHS: 1.9%).

Crude oil listings are more likely to rise than fall from the current low level. However, the substantial reserves stockpiled in 2015 should prevent any sharp upward movement in the price of oil.

The ECB will very probably maintain its key interest rate at the current level, although it might lower the rate even further if the euro zone economy weakens. By contrast, the US Federal Reserve is expected to gradually raise its key interest rate over the course of the year, which could moderately increase capital market interest rates.

World trade grows moderately

For 2016 we expect the global trade flows relevant to us – air and ocean freight shipped in containers, excluding liquids and bulky goods – to increase slightly in all regions. All in all, we expect to see growth of 3.8%.

Parcel market expected to see sustained growth

The market for paper-based mail communication continues to decline in Germany, although more moderately than in other European countries. Physical mail volumes are decreasing, primarily because people are communicating digitally to an increasing extent. With E-POST, we have developed a portfolio of digital products that are gaining traction in the German market. At the beginning of 2016, we raised the price of a domestic standard letter to €0.70. Compared with the letter postage prices in other countries, our price is almost at an average level.

The German advertising market is likely to continue to see moderate revenue growth in 2016. Advertising budgets will continue to shift towards online media. The trend towards automated dialogue marketing campaigns will remain unchanged. In the market for paper-based advertising, we intend to consolidate our position by expanding our portfolio and ensuring the digital connectivity of our products.

The parcel market will continue to grow in Germany, the rest of Europe and the world, as will cross-border services. We shall drive this development with our solutions for parcel shipping and receipt as well as the associated infrastructure for selected new markets. We plan to strengthen our market position by adding new e-commerce segments, such as food logistics, and by continually expanding our infrastructure. This will also have a positive impact on the international mail business – a market that is likely to see slight growth, particularly due to increasing merchandise shipping.

International express business to remain stable

Experience shows that growth in the international express market is highly dependent upon the economy. Due to the fact that the volume trend in our international express business was significantly more positive than that of our competitors, we expect that the express market will remain stable in 2016.

Brands, page 83

By implementing initiatives to increase profitability and quality, we intend to continue improving our earnings. We are confident that we shall remain on course for growth and defend our leading market position. Our global DHL brand campaign and logistics partnerships will also contribute to this.

Market trends in freight forwarding business likely to continue

In 2016, we anticipate developments in the air freight market to follow a similar trend to that of the reporting year. In light of the fact that fuel prices remain low, freight carriers are likely to expand capacities with new wide-body passenger planes and additional cargo aircraft, especially to smaller destinations. The most important drivers of demand will be growth in the Chinese consumer market and transports of perishable food products.

We anticipate moderate growth in the ocean freight market, in which market players will continue to face surplus capacities and low but stable demand on the most important trade lanes.

Aided by low oil prices, the European road transport market is also likely to see moderate development in 2016 similar to that of the reporting year.

Contract logistics market continues to grow

The trend towards outsourcing warehousing and distribution as well as the demand for value-added logistics services continue. For this reason, projections indicate that the market for contract logistics will continue to experience stable growth of around 6%. Many companies prefer to outsource their logistics due to high cost pressure and increasingly complex supply chains. Demand for supply chain services is expected to see particularly strong growth in rapidly growing countries such as India, where we benefit from a strong market position. Although the global economic environment remains uncertain, we are well positioned in the Supply Chain division to deliver sustained growth.

Revenue and earnings forecast

Consolidated EBIT of €3.4 billion to €3.7 billion expected

We expect the global economy to continue to experience regional variations in 2016 and to grow only moderately on the whole. The global trading volumes relevant to our business are likely to perform similarly. Revenue performance is anticipated to reflect our strategic focus on business driven by e-commerce and on emerging economies evidencing strong structural growth. After the transformation costs incurred in the reporting year, we expect a substantial rise in earnings in 2016, especially in the DHL divisions.

Against this backdrop, we expect consolidated EBIT to reach between €3.4 billion and €3.7 billion in financial year 2016. The Post - eCommerce - Parcel division is likely to contribute more than €1.3 billion to this figure. Compared with the previous year, we expect a significant improvement in overall earnings to between €2.45 billion and €2.75 billion in the DHL divisions. All of the DHL divisions are expected to contribute to the increase. Whereas earnings in the Express division are likely to continue rising steadily, a significant improvement is expected for Global Forwarding, Freight and Supply Chain now that the charges incurred in connection with the transformation process will no longer arise. The Corporate Center/Other result is projected to remain at around €–0.35 billion.

In line with our Group strategy, we plan to focus upon organic growth and anticipate only a few very selective acquisitions in 2016, as in the previous year.

Our finance strategy continues to call for a payout of 40% to 60% of net profits as dividends as a general rule. At the Annual General Meeting on 18 May 2016, we intend to propose to the shareholders that a dividend per share of €0.85 be paid for financial year 2015 (previous year: €0.85).

Expected financial position

No change in the Group's credit rating

In light of the earnings forecast for 2016, we expect the "FFO to debt" indicator to remain stable on the whole and do not expect the rating agencies to change our credit rating from the present level.

Liquidity to remain solid

We anticipate a deterioration in our liquidity in the first half of 2016 as a result of the annual pension prepayment due to *Bundesanstalt für Post und Telekommunikation* as

well as the dividend payment for financial year 2015 in May 2016. 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.

Capital expenditure of around €2.2 billion expected

In 2016, we plan to increase capital expenditure to around €2.2 billion in support of our strategic objectives, the focus of which will be similar to that of previous years.

In the Post - eCommerce - Parcel division, we shall expand our domestic and international parcel network, improve IT and offer new delivery options. In the Express division, we shall continue to invest in our global and regional hubs predominantly in Europe. In 2016 we shall invest in our IT landscape in the Global Forwarding, Freight division. In the Supply Chain division, capital expenditure is to provide selective support to the planned expansion of our business. Cross-divisionally we shall focus upon investments in vehicles and IT.

Development of further indicators relevant for internal management

EAC increases significantly

In line with the projected growth in EBIT, we expect that EAC will also grow substantially in 2016. Divisional EAC will be affected by the same influences as detailed in the EBIT outlook. However, as our investing activities continue and the net asset base increases as a result, the rise in EBIT after asset charge may fall slightly short of EBIT growth. Free cash flow is expected to again more than cover the dividend payment for financial year 2015 projected to be made in May 2016.

Employee Opinion Survey results again positive

We intend to keep up the positive results that our Employee Opinion Survey achieved in the reporting year. For 2016, we expect to see an increase to 74% in the approval rating for the key performance indicator Active Leadership based upon the questionnaire that was developed further during the reporting year.

Further improve greenhouse gas efficiency

We expect the Group to further improve its carbon efficiency. Our CEX score should increase by one index point during financial year 2016.

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 upon 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 financial year 2015, Deutsche Post DHL Group's "Strategy 2020: Focus. Connect. Grow." paved the way for the company's long-term success in order to further develop its position as a world leader in logistics.

The Supervisory Board concentrated on the implementation of "Strategy 2020" and on the current results in the context of the global economic situation. The Board of Management provided the Supervisory Board with information about the proposed business policy, planning, the profitability of the company and Group, performance as well as key business transactions in a timely manner. The Chairman of the Supervisory Board was also kept abreast of developments between meetings. Measures requiring the consent of the Supervisory Board were prepared in advance by the relevant committees. All members attended more than half of the meetings of the plenary and committees to which they belong. The overall attendance rate exceeded 94%. Individual attendance figures can be found on page 112.

Main topics discussed in the plenary meeting

The Supervisory Board met for eight plenary meetings in total, five in the first half of the year and three in the second half.

We held an extraordinary Supervisory Board meeting on 11 February 2015 to discuss strategy in the Post - eCommerce - Parcel division.

The annual and consolidated financial statements and the management reports for 2014 were discussed in detail and approved at the financial statements meeting on 10 March 2015. The meeting was also attended by the auditors. After a thorough review, we endorsed the Board of Management's proposal for the appropriation of the net retained profit for financial year 2014. The Supervisory Board also approved the renewal of Ken Allen's mandate and contract for a further five years. The Board of Management provided a detailed report on, amongst other things, the impact of the Global Forwarding transformation programme within the division and the Group and the associated challenges. The report was followed by a discussion. The findings of the efficiency review examining the work of the Supervisory

Board were presented at the same meeting, as were the Supervisory Board's proposed resolutions for the 2015 Annual General Meeting (AGM). All of the resolutions proposed were adopted with clear majorities at the AGM on 27 May 2015.

On 27 April 2015, we held an extraordinary Supervisory Board meeting to accept Roger Crook's resignation from the Board of Management. Until a new board member is appointed for the Global Forwarding, Freight division, CEO Dr Frank Appel has agreed to take over his tasks in a dual role.

The sale of our shares in Sinotrans Ltd. was approved using the written procedure on 18 May 2015.

Immediately after the Deutsche Post AG AGM on 27 May 2015, the Supervisory Board re-appointed Roland Oetker as a member of the Executive Committee, Personnel Committee and Mediation Committee. As a member of the Executive Committee, Mr Oetker is also automatically a member of the Nomination Committee. Details of the current committee members can be found on page 105. The Supervisory Board also discussed the Group's pension obligations.

The Supervisory Board meeting on 23 June 2015 included an in-depth discussion of developments in the Global Forwarding business unit and the status of the transformation programme. The meeting also considered whether Board of Management remuneration was appropriate. Independent experts have reviewed the remuneration system and remuneration paid to individuals and have confirmed that the system is suitable and consistent with market rates.

The annual closed Supervisory Board meeting was held in September. Internal and customer managers gave presentations on selected topics. Discussions with the Board of Management focused on the progress made in implementing "Strategy 2020" and future challenges.

In the Supervisory Board meeting on 14 September 2015, we discussed the gender quotas for the Supervisory Board and Board of Management. We have set a target ratio of 1:7 for women on the Board of Management, to be achieved by the end of the 2018 AGM, after which the target will rise to 2:8 by the end of the Annual General Meeting in 2021. The deadline for achieving the first target is 30 June 2017.

In the extraordinary Supervisory Board meeting on 28 October 2015, the transformation programme and the future course for the business-centric IT renewal plan in the Global Forwarding business unit were examined.

On 9 December, at the last meeting of the Supervisory Board in 2015, we approved the 2016 business plan after extensive discussions and set the Board of Management's performance targets for 2016. In addition, a share capital increase was resolved upon for the purpose of financing a share buy-back to settle share-based payments due to executives in 2016. We also examined the new recommendations of the German Corporate Governance Code (DCGK). We expanded the targets for the composition of the Supervisory Board to include the general principle that members should not serve more than three full terms of office. We confirmed that we have complied with the recommendations of the Government Commission as amended on 24 June 2014 since issuance of the Declaration of Conformity in December 2014 and intend to comply with all recommendations of the DCGK as amended on 5 May 2015 in the future. We also had an in-depth discussion again on business developments in the Global Forwarding, Freight division.

Careful preparatory work by the committees

The Supervisory Board committees prepared thoroughly for plenary meeting discussions and decisions, thus ensuring informed consultations in these meetings.

The Executive Committee met five times during the year under review. Regular agenda items included matters regarding the Board of Management and preparations for the Supervisory Board meetings. Detailed discussions were held on the subject of Roger Crook's resignation from the Board of Management, whether Board of Management remuneration was appropriate, and the gender quotas for the Supervisory Board and Board of Management.

The Personnel Committee met on four occasions. Items for discussion included increasing the number of women in executive positions, the strategic priorities for Human Resources, personnel development, enhancing the Group-wide “Certified” initiative, which promotes employee commitment and changes in corporate culture, and the annual Employee Opinion Survey.

The Finance and Audit Committee met seven times. Both Stefan Schulte, Chair of the Finance and Audit Committee, and Simone Menne, a member of the Finance and Audit Committee, have the accounting and auditing expertise required under the *Aktiengesetz* (AktG – German stock corporation act). At the March meeting, the committee examined the annual and consolidated financial statements for 2014 and recommended that the Supervisory Board approve the statements. The auditors attended the meeting and gave a detailed presentation on their findings regarding the key audit priorities for 2014 as defined by the Committee as well as making specific recommendations based upon their findings. The March meeting also adopted the resolutions proposed to the Supervisory Board for inclusion on the agenda of the AGM. Key Group risk management factors were also examined during the meeting as planned. Following the AGM, the Finance and Audit Committee engaged the auditors to audit the 2015 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. The Committee discussed the reviewed quarterly and half-year interim reports together with the Board of Management and the auditors prior to publication. The May meeting concentrated on the Group’s pension obligations. On 17 June 2015, the Finance and Audit Committee discussed the status of the transformation programme in the Global Forwarding, Freight division as well as the findings of internal audits. In the meeting on 8 September 2015, the Finance and Audit Committee examined the internal control and risk management system. The Chief Compliance Officer also presented a detailed report on compliance, which focused primarily upon enhancing compliance organisation and management. On 3 December 2015, the Finance and Audit Committee meeting concentrated on the Group business plan for 2016 and a share capital increase in order to finance a share buy-back to settle share-based payments due to executives in 2016. The Committee recommended that the Supervisory Board approve the proposals. The Committee discussed the Group’s performance and the internal control and risk management system at regular intervals during the year.

The Strategy Committee met five times in 2015. In addition to the sale of the company’s shares in Sinotrans Ltd., the Committee discussed the business units’ strategic positions in their respective market segments and the implementation of “Strategy 2020”. The Committee focussed upon the performance of the Global Forwarding business unit, the associated business-centric IT renewal and the performance of the eCommerce - Parcel business unit.

The Nomination Committee met once to discuss nominations for the 2015 AGM and approve the recommendation to the Supervisory Board to re-elect Roland Oetker as a member of the Supervisory Board.

The Mediation Committee formed pursuant to section 27 (3) of the *Mitbestimmungsgesetz* (German Co-determination Act) did not meet in the year under review.

The chairs of the committees reported on the committees’ deliberations in the subsequent Supervisory Board meeting.

Composition of the Board of Management and Supervisory Board

The members of the Supervisory Board remained unchanged in 2015. Roland Oetker was re-elected as a member of the Supervisory Board at the AGM on 27 May 2015. Mr Oetker’s considerable experience and expertise mean that the Supervisory Board members not only offer substantial industry-specific experience but also extensive corporate management experience. Details of the current members of the Supervisory Board committees can be found on page 105. On 27 April 2015, Roger Crook resigned as the Board Member for Global Forwarding, Freight. Until the appointment of a new board member for the Global Forwarding, Freight division, CEO Frank Appel has agreed to take over the corresponding tasks in a dual role.

Managing conflicts of interest

None of the Supervisory Board members hold positions on the governing bodies of, or provide consultancy services to, the Group's main competitors. The Supervisory Board has not been informed of any conflicts of interest affecting individual members during the year under review.

Company in compliance with all DCGK recommendations

In December 2015, the Board of Management and the Supervisory Board issued an unqualified Declaration of Conformity pursuant to section 161 of the AktG, which was also published on the company's website. The declarations from previous years are also available on the website. In financial year 2015, Deutsche Post AG complied with all recommendations of the Government Commission for the DCGK, as amended on 24 June 2014. We also intend to continue to comply with all recommendations of the DCGK as amended on 5 May 2015, together with all the suggestions except broadcasting the full AGM on the internet. Further information regarding corporate governance within the company and the remuneration report can be found in the Corporate Governance Report (page 109 ff.).

2015 annual and consolidated financial statements audited

The auditors appointed by the AGM, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (PwC), Düsseldorf, conducted an audit of the annual and consolidated financial statements for financial year 2015, including the respective management reports, and issued unqualified audit opinions. PwC also reviewed 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 2015 annual and consolidated financial statements and the management reports, including the appropriation of the net retained profit as proposed by the Board of Management, at the financial statements meeting held on 8 March 2016. All Supervisory Board members received copies of the annual and consolidated financial statements, auditors' reports and the Board of Management's proposal for the appropriation of the net retained profit well in advance of the financial statements meeting. The documents were discussed in detail with the Board of Management in the presence of the auditors. The auditors reported on the audit findings and also took questions and provided additional information. The Supervisory Board concurred with the results of the audit and approved the annual and consolidated financial statements for financial year 2015, as recommended by the Finance and Audit Committee. No objections were raised on the basis of the final outcome of the examination by the Supervisory Board and the Finance and Audit Committee of the annual and consolidated financial statements, the management reports and the proposal for the appropriation of the net retained profit. The Supervisory Board endorsed the Board of Management's proposal for the appropriation of the net retained profit and the payment of a dividend of €0.85 per share.

We would like to thank the Board of Management and all employees for their genuine commitment and all their hard work. Their efforts in 2015 have helped us to advance the implementation of "Strategy 2020".

Bonn, 8 March 2016
The Supervisory Board

Wulf von Schimmelmann
Chairman

SUPERVISORY BOARD

Members of the Supervisory Board

B.01

Shareholder representatives

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

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 (until 31 March 2015)
Independent entrepreneur, former member of the Executive Board, Danone S.A. France (since 1 April 2015)

Simone Menne
Member of the Executive Board, Deutsche Lufthansa AG

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 professorship of Global Production Logistics
President/member of the Executive Board of Jacobs University Bremen gGmbH

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

Jörg von Dosky
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
Chair of the Works Council, DHL Global Forwarding GmbH, Hamburg

Andreas Schädler
Chair of the Central Works Council, Deutsche Post AG (until 31 December 2015)

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

Stephan Teuscher
Head of Wage, Civil Servant and Social Policies in the Postal Services, Forwarding Companies and Logistics department, ver.di national administration

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

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

Committees of the Supervisory Board

B.02

Executive Committee

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

Personnel Committee

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

Finance and Audit Committee

Dr Stefan Schulte (Chair)
Stephan Teuscher (Deputy Chair)
Werner Gatzer
Thomas Koczelnik
Simone Menne
Helga Thiel

Strategy Committee

Prof. Dr Wulf von Schimmelmann (Chair)
Andrea Kocsis (Deputy Chair)
Rolf Bauermeister
Prof. Dr Henning Kagermann
Thomas Koczelnik
Dr Ulrich Schröder

Nomination Committee

Prof. Dr Wulf von Schimmelmann (Chair)
Werner Gatzer
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

BOARD OF MANAGEMENT

DR FRANK APPEL

Chief Executive Officer

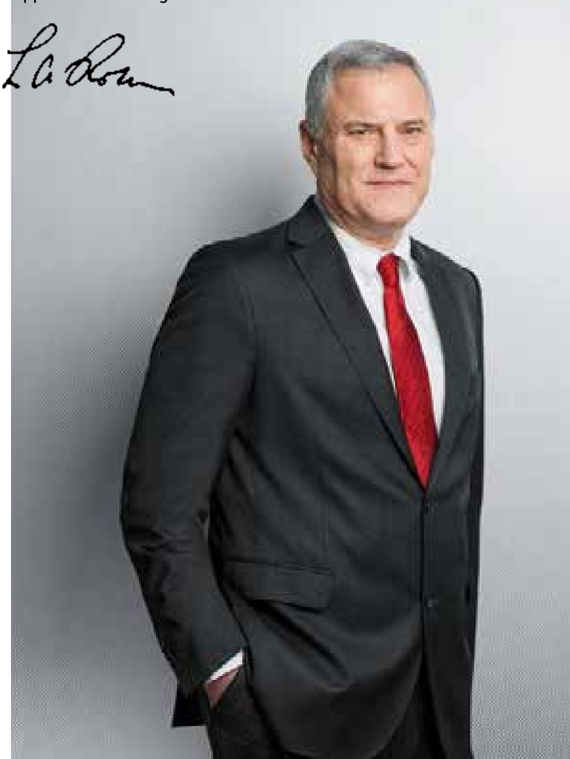
(Frank Appel is also responsible for Global Forwarding, Freight until further notice.)

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

LAWRENCE ROSEN

Finance, Global Business Services

Born in 1957
Member since September 2009
Appointed until August 2017



MELANIE KREIS

Human Resources

Born in 1971
Member since October 2014
Appointed until October 2017

Left the company during the reporting year:

Roger Crook
Global Forwarding, Freight
Born in 1957
Member from March 2011 until 27 April 2015

JOHN GILBERT

Supply Chain

Born in 1963
Member since March 2014
Appointed until March 2017

JÜRGEN GERDES

Post - eCommerce - Parcel

Born in 1964
Member since July 2007
Appointed until June 2020

KEN ALLEN

Express

Born in 1955
Member since February 2009
Appointed until July 2020

MANDATES

Mandates held by the Board of Management

B.03

Membership of supervisory boards required by law	Membership of comparable bodies	
Lawrence Rosen Deutsche Postbank AG (until 8 August 2015) Lanxess AG (since 13 May 2015) Lanxess Deutschland GmbH (since 13 May 2015)	**Ken Allen** DHL-Sinotrans International Air Courier Ltd, China (Board of Directors)[1]	**Roger Crook** (until 27 April 2015) DHL Global Forwarding Management (Asia Pacific) Pte Ltd, Singapore (Board of Directors)[1] **Lawrence Rosen** Qiagen N.V. (Supervisory Board)

[1] Group mandate.

Mandates held by the Supervisory Board

B.04

Shareholder representatives

Membership of supervisory boards required by law	Membership of comparable bodies
Prof. Dr Wulf von Schimmelmann (Chair) Allianz Deutschland AG Maxingvest AG	**Prof. Dr Wulf von Schimmelmann** (Chair) Accenture Corp., Ireland (Board of Directors) Thomson Reuters Corp., Canada (Board of Directors)
Werner Gatzer Bundesdruckerei GmbH Flughafen Berlin Brandenburg GmbH ÖPP Deutschland AG (Chair)	**Simone Menne** Frankfurt Stock Exchange (Exchange Council) Miles & More GmbH (Advisory Council, Chair)[1]
Prof. Dr Henning Kagermann BMW AG Deutsche Bank AG Franz Haniel & Cie. GmbH (until 25 April 2015) Münchener Rückversicherungs-Gesellschaft AG	**Roland Oetker** Rheinisch-Bergische Verlagsgesellschaft mbH (Supervisory Board)
Simone Menne Delvag Luftfahrtversicherungs-AG, Germany (Chair)[1] LSG Lufthansa Service Holding AG, Germany (Chair)[1] Lufthansa Cargo AG, Germany[1] Lufthansa Systems AG, Germany (Chair)[1] (until 6 March 2015) Lufthansa Technik AG, Germany[1] BMW AG (since 13 May 2015)	**Dr Ulrich Schröder** DEG – Deutsche Investitions- und Entwicklungsgesellschaft mbH (Supervisory Board) "Marguerite 2020": European Fund for Energy, Climate Change and Infrastructure, Luxembourg (Supervisory Board)
Dr Ulrich Schröder Deutsche Telekom AG	**Elmar Toime** Postea Inc., USA (Non-Executive Chairman) Blackbay Ltd., United Kingdom (Non-Executive Director) Qatar Postal Services Company, Qatar (Non-Executive Director)
Prof. Dr-Ing. Katja Windt Fraport AG	

Employee representatives

Membership of supervisory boards required by law
Rolf Bauermeister Deutsche Postbank AG
Jörg von Dosky PSD Bank München eG (since 22 June 2015)
Andreas Schädler PSD Bank Köln eG (Chair)
Stephan Teuscher DHL Hub Leipzig GmbH (Deputy Chair)
Helga Thiel PSD Bank Köln eG (Deputy Chair)

[1] Group mandates, Deutsche Lufthansa.

CORPORATE GOVERNANCE REPORT

Annual Corporate Governance Statement pursuant to section 289a of the *Handelsgesetzbuch* (HGB – German Commercial Code)

This Annual Corporate Governance Statement contains information about the main components of Deutsche Post DHL Group's corporate governance structure. These include the Declaration of Conformity by the Board of Management and the Supervisory Board, relevant corporate governance practices that exceed legal requirements, the working methods of the Board of Management and the Supervisory Board, the composition and working methods of the committees, the percentage of women on the Supervisory Board, Board of Management and in the top two executive tiers, and the composition targets for the Supervisory Board.

dpdhl.com/en/investors

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

In December 2015, the Board of Management and the Supervisory Board once again issued an unqualified Declaration of Conformity pursuant to section 161 of the AktG, which reads as follows:

"The Board of Management and the Supervisory Board of Deutsche Post AG declare that the recommendations of the Government Commission German Corporate Governance Code in the version dated 24 June 2014 have been complied with since issuance of the Declaration of Conformity in December 2014 and that all recommendations of the code in the version dated 5 May 2015 shall be complied with in the future."

We also intend to implement the suggestions made in the code, with one exception: the Annual General Meeting will only be broadcast on the internet up to the end of the Chief Executive Officer's address.

Specific corporate governance practices

Our guiding principle is "respect and results": we seek to encourage co-operation and expect our corporate governance to rise to the challenge of achieving first-class results every day whilst also considering the needs of our employees, customers and investors.

We see corporate responsibility as part of our Group strategy and we concentrate upon three focus areas: responsible business practice, corporate citizenship as well as environmental management and shared value. We systematically factor our stakeholders' expectations and needs into strategic decisions. A materiality analysis has identified key issues relevant to Deutsche Post DHL Group from the areas of governance, employees and the environment. Targets and performance indicators have been defined for each of these topics. We successfully maintained our high scores in the best-known sustainability ratings during the year under review.

Response levels for our annual Group-wide Employee Opinion Survey were down slightly year-on-year at 73% (2014: 77%). We made further improvements to the survey in the year under review. The survey results are now almost fully comparable with an external standard which we are currently exceeding in five categories. Scores for the "Active Leadership" and "Employee Engagement" categories stabilised at a high level.

Employees, page 72

Code of Conduct, diversity and compliance management

dpdhl.com/en

Our Code of Conduct, which was first issued in 2006, is firmly established in our corporate culture and is applicable to all regions and divisions. The Code of Conduct is based upon the principles set out in the Universal Declaration of Human Rights and the United Nations (UN) Global Compact. The code is consistent with recognised legal standards, including the applicable anti-corruption legislation and agreements. The code of Conduct and all other Group guidelines, together with regional guidelines and procedures, provide the framework for ethical and environmentally sound corporate conduct. The guidelines serve as a clear point of reference for all employees, informing them of our values and principles. The code is available in 21 languages. Employees can attend webinars to learn about the code.

The Code of Conduct also sets out our commitment to the health of our employees, respect for human rights, the rejection of child and forced labour, and our position on diversity and inclusion. The Corporate Diversity & Inclusion Statement issued in 2013 reflects our belief that diversity represents both a key factor for success and a distinct competitive advantage. In the statement we also undertake to promote an inclusive working environment and express our opposition to all forms of discrimination. Two years ago we set up the Diversity Council as an internal forum where participants can discuss the strategic direction, and the divisions' differing requirements, of diversity management. The Diversity Council met on two occasions during the year under review. Members are also advocates for diversity within their divisions.

The international composition of the Board of Management already clearly reflects the company's international activities. The Supervisory Board also supports the Group's diversity strategy, placing particular emphasis on the target of increasing the number of women on the Board of Management. The Supervisory Board sees efforts to increase diversity as 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. At 20.7%, the number of women in upper and middle management around the world at Deutsche Post DHL Group increased year-on-year as at 31 December 2015 (previous year: 19.3%). The figure for Group companies in Germany was 20.6%.

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Pursuant to the *Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst* (German law on equal gender representation in executive positions in the public and private sector), we additionally report on the targets the Board of Management and the Supervisory Board have set for Deutsche Post AG in the section on the Number of women on the Supervisory Board, Board of Management and in executive positions at Deutsche Post AG. This presentation differs from the one used to determine the proportion of women in executive positions at Deutsche Post DHL Group.

We seek to maintain and improve the health and well-being of our employees, primarily through preventative measures. As a responsible employer, we offer information events and training. We also apply a range of health and safety measures. The new Group-wide Deutsche Post DHL Occupational Health & Safety Policy has put the issue more firmly in the spotlight.

Within Deutsche Post DHL Group, 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 Group-wide compliance management standards and supports the implementation of related activities within the divisions. Each of the four operating divisions has a Compliance Officer and a network of compliance managers, which are responsible for implementing all compliance management activities. The divisional Compliance Officers report regularly to the Board of Management member for their division and maintain close contact with the Global Compliance Office. The divisional reports are incorporated into the Chief Compliance Officer's report to the Board of Management and to the Finance and Audit Committee of the Supervisory Board.

The main compliance management activities within Deutsche Post DHL Group include creating a system for identifying potential compliance risks, devising suitable training and communications measures, evaluating business partner compliance, investigating cases of misconduct and imposing sanctions. The main purpose of the compliance programme is to prevent cases of non-compliance. Group-wide communications ensure that all employees are aware of the relevance of compliance and provide information about the relevant rules of conduct. Our compliance hotline is a key factor in reporting breaches of the law or our guidelines. The hotline is available in around 150 countries and assists employees in reporting potential breaches of the law or the Code of Conduct within the company. The hotline also provides a structure for addressing and resolving such breaches. The insights gained from reported cases are used to make on-going improvements to the compliance management system.

Working methods of the Board of Management and the Supervisory Board

As a German public limited company, Deutsche Post AG is legally required to use a dual management system. The Board of Management is responsible for managing the company. The Board of Management is appointed, overseen and advised by the Supervisory Board.

In addition to the board departments of the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Board Member for Human Resources, the Board of Management also includes four operating divisions: Post - eCommerce - Parcel, Express, Global Forwarding, Freight, and Supply Chain. Group management functions are centralised in the Corporate Center. The Group Strategy provides a framework for the whole Group. The Board's rules of procedure lay down objectives for the basic internal 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 about key developments at regular intervals. The Board of Management as a whole decides on matters of particular significance for the company or the Group, including all tasks that cannot be delegated and all decisions that have to be presented to the Supervisory Board for approval. The entire Board of Management also decides upon matters presented by one member of the Board of Management for decision by the Board of Management as a whole.

Members, page 106 f., Mandates, page 108

Objectives and strategies, page 33

When making decisions, members of the Board of Management may not act in their own personal interest or exploit corporate business opportunities for their own benefit. The Supervisory Board must be informed of any conflicts of interest without delay.

The Supervisory Board advises and oversees the Board of Management and also appoints the members of the Board of Management. The Supervisory Board has established rules of procedure that include the basic internal structure, a catalogue of Board of Management transactions requiring Supervisory Board approval and rules for the Supervisory Board committees. The Supervisory Board meets at least twice every six months in a calendar year. Extraordinary Supervisory Board meetings are held whenever particular developments or measures need to be discussed or approved promptly. In financial year 2015,

Members, page 105, Mandates, page 108, Committees, page 105

Page 101 ff.

the Supervisory Board met for eight plenary meetings, 22 committee meetings and one closed meeting, as described in the Report of the Supervisory Board. All members attended more than half of the meetings of the Supervisory Board and the committees on which they serve. The overall attendance rate remained high in the year under review, at over 94%.

Attendance at plenary and committee meetings by member B.05

%

Supervisory Board member	Attendance
Prof. Dr Wulf von Schimmelmann (Chair)	100
Andrea Kocsis (Deputy Chair)	95
Rolf Bauermeister	100
Jörg von Dosky	100
Werner Gatzer	86
Prof. Dr Henning Kagermann	85
Thomas Koczelnik	100
Anke Kufalt	100
Thomas Kunz	75
Simone Menne	80
Roland Oetker	100
Andreas Schädler	100
Sabine Schielmann	100
Dr Ulrich Schröder	69
Dr Stefan Schulte	100
Stephan Teuscher	100
Helga Thiel	100
Elmar Toime	100
Stefanie Weckesser	100
Prof. Dr-Ing. Katja Windt	88

The Board of Management and the Supervisory Board engage in regular dialogue regarding the Group's financial position and performance, strategic initiatives, key business transactions, the progress of acquisitions, compliance and compliance management, risk exposure and risk management, and all material planning and related implementation issues. The Board of Management informs the Supervisory Board promptly and in full about all issues of significance. The Chairman of the Supervisory Board and the CEO maintain close contact and discuss current issues. The Chairman of the Supervisory Board also has regular contact with other Board of Management members between Supervisory Board meetings.

The Supervisory Board carries out an annual efficiency review of the work of the Supervisory Board, which includes assessing co-operation with the Board of Management. The efficiency review for financial year 2015 concluded that the Supervisory Board had performed its monitoring and advisory duties efficiently and effectively.

All Supervisory Board decisions, particularly those concerning transactions that require Supervisory Board approval, are discussed in detail in advance by the relevant committees. Each Supervisory Board plenary meeting includes a detailed report on the committees' work and decisions taken.

None of the Supervisory Board members hold positions on the governing bodies of, or provide consultancy services to, the Group's main competitors. The Supervisory Board has not been informed of any conflicts of interest affecting individual members during the year under review.

Executive committees and Supervisory Board committees

Executive committees prepare the decisions to be made by the entire Board of Management and take decisions on matters delegated to them. The duties of the executive committees include preparing and/or approving investments and transactions in the various divisions. The Deutsche Post Executive Committee is responsible for the Post - eCommerce - Parcel division; the cross-divisional DHL Executive Committee is in charge of the Express, Global Forwarding, Freight, and Supply Chain divisions; the CC & GBS Executive Committee covers the Corporate Center (CC) and Global Business Services (GBS). The CEO, the CFO and the Board Member for Human Resources have permanent representation on the committees, whilst the Board members responsible for the divisions are represented on the committees in matters relating to their divisions. First and second-tier executives from the level immediately below the Board of Management also attend executive committee meetings that cover topics relevant to their field. For example, Accounting & Controlling, Corporate Finance, Corporate Development and Legal Services will be invited to take part in discussions on acquisitions. The Deutsche Post Executive Committee and the DHL Executive Committee each meet at least once a month; the CC & GBS Executive Committee usually meets every quarter.

Business review meetings also take place once a quarter. These meetings are part of the strategic performance dialogue between the divisions, the CEO and the CFO. The business review meetings discuss strategic initiatives, operational matters and the budgetary situation of the divisions.

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

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The Supervisory Board has formed six committees to ensure the efficient discharge of its duties. In particular, these committees prepare the resolutions for the Supervisory Board plenary meetings. The Supervisory Board delegates the final decisions on certain topics to the individual committees.

The Executive Committee's duties include arranging the appointment of members of the Board of Management and determining the Board of Management remuneration for approval by the Supervisory Board plenary meeting. The 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, and the audit of the financial statements. It examines corporate compliance issues and discusses the half-yearly and quarterly financial reports with the Board of Management before publication. Based upon its own preliminary assessment, the Committee submits proposals for approval of the annual and consolidated financial statements by the Supervisory Board. The members of the Finance and Audit Committee are Stefan Schulte (Chair), Stephan Teuscher (Deputy Chair), Werner Gatzer, Thomas Koczelnik, Simone Menne and Helga Thiel. The Chair of the Finance and Audit Committee, Stefan Schulte, is a financial expert as defined in sections 100 (5) and 107 (4) of the AktG.

The Personnel Committee discusses human resources principles for the Group. The members of the Personnel Committee 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 members of the Mediation Committee are Wulf von Schimmelmann (Chair), Andrea Kocsis (Deputy Chair), Rolf Bauermeister and Roland Oetker.

The Nomination Committee presents the shareholder representatives of the Supervisory Board with recommendations for shareholder candidates for election to the Supervisory Board at the AGM. The members of the Nomination Committee are Wulf von Schimmelmann (Chair), Werner Gatzer and Roland Oetker.

The Strategy Committee prepares material for strategy discussions in the Supervisory Board and for resolutions on corporate acquisitions and disposals requiring approval by the plenary meeting of the Supervisory Board. The Committee also regularly discusses the competitive position of the company and the individual divisions. The members of the Strategy Committee are Wulf von Schimmelmann (Chair), Andrea Kocsis (Deputy Chair), Rolf Bauermeister, Henning Kagermann, Thomas Koczelnik and Ulrich Schröder.

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Mandates, page 108

Information about the work of the Supervisory Board and its committees in financial year 2015 is also contained in the **Report of the Supervisory Board**. Details of the members of the Supervisory Board and the composition of the Supervisory Board committees can be found in the sections on the **Supervisory Board** and **Mandates held by the Supervisory Board**.

Number of women on the Supervisory Board, Board of Management and in executive positions at Deutsche Post AG

Under the *Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst*, the Supervisory Board of Deutsche Post AG is required to meet the statutory gender quota of 30%. The Supervisory Board is also obliged to set a target quota for the number of women on the Board of Management, whilst the Board of Management is required to set a target quota for women in the top two executive levels below the Board of Management. Deutsche Post AG exceeds the target for the statutory quota for the Supervisory Board, as seven women (35%) are members of the Supervisory Board. The Supervisory Board has set a target quota of 1:7 for the number of women on the Board of Management, which applies until the end of the Annual General Meeting in 2018, after which the target will increase to 2:8 (25%) by the end of the AGM in 2021. The deadline for achieving the first target quota for women on the Board of Management is 30 June 2017. The Board of Management has set 19% at the first and 23% at the second management level as target quotas for increasing the proportion of women below the Board of Management for the period until 31 December 2016. Furthermore, on 30 September 2015 target quotas and deadlines for reaching them were set for the German subsidiaries affected by the law.

Targets for the composition of the Supervisory Board and qualifications required

The Supervisory Board set targets for its composition in 2010. Following an amendment in December 2015, a limit on the number of terms of office served was included. The targets are now as follows:

1. Proposals by the Supervisory Board to the AGM for candidates to be elected as Supervisory Board members must be made purely in the interests of the company. Subject to this requirement, the Supervisory Board aims to ensure that the independent Supervisory Board members as defined in number 5.4.2 of the DCGK comprise at least 75% of the Supervisory Board and that at least 30% of the Supervisory Board members are women.
2. The company's international activities are already adequately reflected in the composition of the Supervisory Board. The Supervisory Board aims to maintain this and will therefore, in future proposals to the AGM, consider candidates whose origin, education or professional experience equip them with international knowledge and experience.

3. Conflicts of interest affecting Supervisory Board members are an obstacle to providing independent and efficient advice to, and supervision of, the Board of Management. The Supervisory Board will decide how to deal with potential or actual conflicts of interest on a case-by-case basis, in accordance with the law and giving due consideration to the DCGK.
4. In accordance with the age limit adopted by the Supervisory Board and laid down in the rules of procedure for the Supervisory Board, proposals for the election of Supervisory Board members must ensure that the term of office ends no later than the close of the Annual General Meeting after the Supervisory Board member reaches the age of 72. As a general rule, Supervisory Board members should not serve more than three full terms of office.

The members of the Supervisory Board remained unchanged in 2015. The current composition of the Supervisory Board meets all these targets. Women currently make up 35% of Supervisory Board members, which is above the statutory quota for women (30%). The number of independent members of the Supervisory Board also currently exceeds the target. All Supervisory Board members are independent members as defined by the DCGK. In light of the European Commission's recommendation on the independence of non-executive or supervisory directors, taken in conjunction with extensive protection against unwarranted dismissal and the anti-discrimination provisions contained in the German *Betriebsverfassungsgesetz* (Work Constitution Act) and *Mitbestimmungsgesetz* (Co-determination Act), employment by the company is assumed to be consistent with the requirement for independence as set out in the code. The largest shareholder in the company, KfW Bankengruppe, currently holds approximately 21% of the shares in Deutsche Post AG. There are therefore no controlling shareholders as defined in the code with whom relationships might exist that could call into question the Supervisory Board's independence. The international nature of the company's business is also appropriately reflected in the extensive international experience of many Supervisory Board members.

Remuneration report

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

Remuneration structure of the Group Board of Management in financial year 2015

The remuneration paid to individual Board of Management members for financial year 2015 was determined by the Supervisory Board, which held consultations to resolve on the total remuneration to be paid to the individual members of 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 2015 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. The remuneration as a whole as well as its variable components have been capped.

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. More than half of the variable target remuneration consists of a long-term incentive plan (LTIP) with a four-year calculation period; the rest 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 less than a quarter of the variable remuneration component is paid out on the basis of a one-year calculation. 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.

The same criteria were used to calculate the amount of the annual bonus for the reporting year as for the previous year. A key parameter for all Board of Management members is the Group's EBIT after asset charge performance metric, including the asset charge on goodwill before goodwill impairment (EAC). For the Board of Management members in charge of the Post - eCommerce - Parcel, Express, Global Forwarding, Freight and Supply Chain divisions, the EAC of their respective division is also a key parameter. The Group's reported free cash flow is one of the targets applicable to all members of the Board of Management. Furthermore, an employee-related target is agreed with all Board of Management members based upon the annual Employee Opinion Survey, as are additional targets.

Achievement of the upper targets for the financial year that have been agreed based upon 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.

Even if the agreed targets are reached, the annual bonus is not paid out in full in a single instalment. 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). That medium-term component will be paid out after expiry of the sustainability phase subject to the condition that EAC – an indicator of sustainability – be 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 Board of Management remuneration and sets long-term incentives.

Stock appreciation rights (SARS) are granted as a long-term remuneration component based upon the LTIP authorised by resolution of 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 2015, the members of the Board of Management each made a personal financial investment consisting of 10%

of their annual base salary. 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, some or all of the SARs can be exercised for a period of two years. Any SARs not exercised during the 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 20 consecutive trading days prior to 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.

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%.

The proceeds from stock appreciation rights are limited to a maximum amount. The individual amount limits for the 2015 tranche can be seen in tables B.06 and B.07. The remuneration from stock appreciation rights 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 the German Corporate Governance Code ("DCGK"), Board of Management contracts contain a provision stipulating that in the event of 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). The severance payment cap is calculated exclusive of any special remuneration or the value of rights allocated from LTIPs.

In the event of a change in control, any member of the Board of Management is entitled to resign from 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 in 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 AktG 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 the right to early termination is exercised or a Board of Management contract is terminated by mutual consent within nine months of the change in 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 DCGK recommendation. 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 in 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

Roger Crook resigned as a member of the company's Board of Management on 27 April 2015 and left the company at the expiry of 30 April 2015. He received a payment in the amount of €4,288,643 to settle the claims arising from his employment agreement.

Amount of remuneration paid to members of the Group Board of Management in financial year 2015

The remuneration paid to members of the Board of Management in financial year 2015 totalled €10.70 million (previous year: €13.61 million) in accordance with the applicable international accounting standards. That amount comprised €7.05 million in non-performance-related components (previous year: €7.62 million) and €3.65 million in paid-out performance-related components (previous year: €5.99 million). An additional €1.07 million of the performance-related component was transferred to the medium-term component and will be paid out in 2018 subject to the condition that the required EAC, an indicator of sustainability, be reached.

The members of the Board of Management were granted a total of 1,936,470 SARS in financial year 2015 with a total value of €6.66 million (previous year: €7.30 million) at the time of issue (1 September 2015). The total remuneration paid to Board of Management members is presented individually in the tables below. In addition to the applicable accounting principles, the DCGK recommendations were also taken into account.

In accordance with the recommendations, the "target remuneration" tables (B.06 and B.07, or "benefits granted" in DCGK terminology) do not show any actual payments of performance-based remuneration. By contrast with the payment amount stated, the

figures stated for the one-year variable remuneration and the portion of the one-year variable remuneration to be deferred (the deferral) reflect the target amount (i.e. the amount when achieving 100% of the target) that was granted for financial year 2015 or for the previous year. In addition, the long-term remuneration (LTIP with a four-year waiting period) granted in the reporting year or in the previous year is reported at the fair value at the time granted. With respect to pension commitments, the pension expense, i.e. the service cost in accordance with IAS 19, is presented. The presentation is supplemented by the minimum and maximum values that can be achieved.

Target remuneration for the Board of Management members active as at 31 December 2015 B.06

€

	Dr Frank Appel Chairman				Ken Allen Express			
	2014	2015	Min. 2015	Max. 2015	2014	2015	Min. 2015	Max. 2015
a) Non-performance-related remuneration								
Base salary	1,962,556	1,962,556	1,962,556	1,962,556	930,000	968,750	968,750	968,750
Fringe benefits	49,122	34,801	34,801	34,801	106,274	102,252	102,252	102,252
Total (lit. a)	**2,011,678**	**1,997,357**	**1,997,357**	**1,997,357**	**1,036,274**	**1,071,002**	**1,071,002**	**1,071,002**
b) Performance-related remuneration								
One-year variable remuneration	785,022	785,022	0	981,278	372,000	387,500	0	484,375
Multi-year variable remuneration	2,747,605	2,747,597	0	5,887,668	1,302,026	1,364,020	0	4,390,375
LTIP with four-year waiting period	1,962,583	1,962,575	0	4,906,390	930,026	976,520	0	3,906,000
Deferral with three-year waiting period	785,022	785,022	0	981,278	372,000	387,500	0	484,375
Total (lit. a and b)	**5,544,305**	**5,529,976**	**1,997,357**	**8,866,303**	**2,710,300**	**2,822,522**	**1,071,002**	**5,945,752**
c) Pension expense (service cost)	**802,179**	**1,094,399**	**1,094,399**	**1,094,399**	**321,620**	**321,537**	**321,537**	**321,537**
Total DCGK remuneration (lit. a to c)	**6,346,484**	**6,624,375**	**3,091,756**	**9,960,702**	**3,031,920**	**3,144,059**	**1,392,539**	**6,267,289**
d) Variable cash remuneration pursuant to DRS 17								
One-year variable remuneration (payment amount)	928,682	288,300			447,935	203,680		
Payout from medium-term component	519,194	834,086			419,100	453,375		
Total remuneration (cash components) pursuant to DRS 17 (lit. a and d)	**3,459,554**	**3,119,743**			**1,903,309**	**1,728,057**		

	Jürgen Gerdes Post - eCommerce - Parcel				John Gilbert Supply Chain (since 11 March 2014)			
	2014	2015	Min. 2015	Max. 2015	2014	2015	Min. 2015	Max. 2015
a) Non-performance-related remuneration								
Base salary	976,500	991,148	991,148	991,148	576,613	715,000	715,000	715,000
Fringe benefits	31,479	31,399	31,399	31,399	75,044	168,110	168,110	168,110
Total (lit. a)	**1,007,979**	**1,022,547**	**1,022,547**	**1,022,547**	**651,657**	**883,110**	**883,110**	**883,110**
b) Performance-related remuneration								
One-year variable remuneration	390,600	396,459	0	495,574	230,645	286,000	0	357,500
Multi-year variable remuneration	1,367,113	1,402,267	0	4,518,754	945,666	1,001,011	0	3,217,500
LTIP with four-year waiting period	976,513	1,005,808	0	4,023,180	715,021	715,011	0	2,860,000
Deferral with three-year waiting period	390,600	396,459	0	495,574	230,645	286,000	0	357,500
Total (lit. a and b)	**2,765,692**	**2,821,273**	**1,022,547**	**6,036,875**	**1,827,968**	**2,170,121**	**883,110**	**4,458,110**
c) Pension expense (service cost)	**239,548**	**325,592**	**325,592**	**325,592**	**–**	**253,470**	**253,470**	**253,470**
Total DCGK remuneration (lit. a to c)	**3,005,240**	**3,146,865**	**1,348,139**	**6,362,467**	**1,827,968**	**2,423,591**	**1,136,580**	**4,711,580**
d) Variable cash remuneration pursuant to DRS 17								
One-year variable remuneration (payment amount)	470,331	167,256			277,726	156,406		
Payout from medium-term component	448,725	457,274			–	–		
Total remuneration (cash components) pursuant to DRS 17 (lit. a and d)	**1,927,035**	**1,647,077**			**929,383**	**1,039,516**		

	Melanie Kreis Human Resources (since 31 October 2014)				Lawrence Rosen Finance, Global Business Services			
	2014	2015	Min. 2015	Max. 2015	2014	2015	Min. 2015	Max. 2015
a) Non-performance-related remuneration								
Base salary	121,089	715,000	715,000	715,000	930,000	945,500	945,500	945,500
Fringe benefits	3,849	22,596	22,596	22,596	29,476	24,985	24,985	24,985
Total (lit. a)	**124,938**	**737,596**	**737,596**	**737,596**	**959,476**	**970,485**	**970,485**	**970,485**
b) Performance-related remuneration								
One-year variable remuneration	48,436	286,000	0	357,500	372,000	378,200	0	472,750
Multi-year variable remuneration	48,436	1,001,011	0	3,217,500	1,302,026	1,354,720	0	4,378,750
LTIP with four-year waiting period	0	715,011	0	2,860,000	930,026	976,520	0	3,906,000
Deferral with three-year waiting period	48,436	286,000	0	357,500	372,000	378,200	0	472,750
Total (lit. a and b)	**221,810**	**2,024,607**	**737,596**	**4,312,596**	**2,633,502**	**2,703,405**	**970,485**	**5,821,985**
c) Pension expense (service cost)	**–**	**70,207**	**70,207**	**70,207**	**325,451**	**332,971**	**332,971**	**332,971**
Total DCGK remuneration (lit. a to c)	**221,810**	**2,094,814**	**807,803**	**4,382,803**	**2,958,953**	**3,036,376**	**1,303,456**	**6,154,956**
d) Variable cash remuneration pursuant to DRS 17								
One-year variable remuneration (payment amount)	58,056	120,656			434,264	100,459		
Payout from medium-term component	–	–			295,350	453,375		
Total remuneration (cash components) pursuant to DRS 17 (lit. a and d)	**182,994**	**858,252**			**1,689,090**	**1,524,319**		

Target remuneration for the Board of Management members who left the company in financial year 2015

B.07

€	Roger Crook Global Forwarding, Freight (until 27 April 2015)			
	2014	2015	Min. 2015	Max. 2015
a) Non-performance-related remuneration				
Base salary	912,500	302,250	302,250	302,250
Fringe benefits	210,096	64,203	64,203	64,203
Total (lit. a)	**1,122,596**	**366,453**	**366,453**	**366,453**
b) Performance-related remuneration				
One-year variable remuneration	365,000	120,900	0	151,125
Multi-year variable remuneration	1,295,026	430,913	0	1,391,125
LTIP with four-year waiting period	930,026	310,013	0	1,240,000
Deferral with three-year waiting period	365,000	120,900	0	151,125
Total (lit. a and b)	**2,782,622**	**918,266**	**366,453**	**1,908,703**
c) Pension expense (service cost)	**301,904**	**326,533**	**326,533**	**326,533**
Total DCGK remuneration (lit. a to c)	**3,084,526**	**1,244,799**	**692,986**	**2,235,236**
d) Variable cash remuneration pursuant to DRS 17				
One-year variable remuneration (payment amount)	336,849	32,114		
Payout from medium-term component	407,756	384,678		
Total remuneration (cash components) pursuant to DRS 17 (lit. a and d)	**1,867,201**	**783,245**		

The “payments” tables (B.08 and B.09) below include the same figures for fixed remuneration and fringe benefits as in the “target remuneration” tables (B.06 and B.07). By contrast with the presentation in the target remuneration tables, the one-year variable remuneration paid out in financial year 2015 or in the previous year (the payment amount) is stated; the presentation therefore does not include the share of the annual bonus transferred to the medium-term component in these years. With regard to the medium-term component (the deferral), the payment amount of the deferral whose calculation period ended upon expiry of the reporting year or the previous year is reported. The tables also reflect the amount paid (the payment amount) from the tranches of the long-term components that were exercised in financial year 2015 or in the previous year. In addition, the pension expense (service cost in accordance with IAS 19) is stated pursuant to the DCGK recommendations. Although the pension expense does not represent an actual payment per se, it is included in the presentation for the purpose of illustrating the total remuneration.

Payments made to the Board of Management members active as at 31 December 2015

B.08

€	Dr Frank Appel Chairman		Ken Allen Express		Jürgen Gerdes Post - eCommerce - Parcel	
	2014	2015	2014	2015	2014	2015
Payments						
Base salary	1,962,556	1,962,556	930,000	968,750	976,500	991,148
Fringe benefits	49,122	34,801	106,274	102,252	31,479	31,399
Total	**2,011,678**	**1,997,357**	**1,036,274**	**1,071,002**	**1,007,979**	**1,022,547**
One-year variable remuneration	928,682	288,300	447,935	203,680	470,331	167,256
Multi-year variable remuneration	5,845,059	5,436,086	4,015,170	5,305,016	4,141,942	5,703,809
Medium-term component (2012)	519,194	–	419,100	–	448,725	–
Medium-term component (2013)	–	834,086	–	453,375	–	457,274
LTIP (2010 tranche)	5,325,865	–	3,596,070	–	3,693,217	–
LTIP (2011 tranche)	–	4,602,000	–	4,851,641	–	5,246,535
Miscellaneous	–	–	–	–	–	–
Total	**8,785,419**	**7,721,743**	**5,499,379**	**6,579,698**	**5,620,252**	**6,893,612**
Pension expense (service cost)	802,179	1,094,399	321,620	321,537	239,548	325,592
Total	**9,587,598**	**8,816,142**	**5,820,999**	**6,901,235**	**5,859,800**	**7,219,204**

	John Gilbert Supply Chain (since 11 March 2014)		Melanie Kreis Human Resources (since 31 October 2014)		Lawrence Rosen Finance, Global Business Services	
	2014	2015	2014	2015	2014	2015
Payments						
Base salary	576,613	715,000	121,089	715,000	930,000	945,500
Fringe benefits	75,044	168,110	3,849	22,596	29,476	24,985
Total	**651,657**	**883,110**	**124,938**	**737,596**	**959,476**	**970,485**
One-year variable remuneration	277,726	156,406	58,056	120,656	434,264	100,459
Multi-year variable remuneration	–	–	–	–	3,994,924	5,305,016
Medium-term component (2012)	–	–	–	–	295,350	–
Medium-term component (2013)	–	–	–	–	–	453,375
LTIP (2010 tranche)	–	–	–	–	3,699,574	–
LTIP (2011 tranche)	–	–	–	–	–	4,851,641
Miscellaneous	–	–	–	–	–	–
Total	**929,383**	**1,039,516**	**182,994**	**858,252**	**5,388,664**	**6,375,960**
Pension expense (service cost)	–	253,470	–	70,207	325,451	332,971
Total	**929,383**	**1,292,986**	**182,994**	**928,459**	**5,714,115**	**6,708,931**

Payments made to the Board of Management members who left the company in financial year 2015

B.09

€	Roger Crook Global Forwarding, Freight (until 27 April 2015)	
	2014	2015
Payments		
Base salary	912,500	302,250
Fringe benefits	210,096	64,203
Total	**1,122,596**	**366,453**
One-year variable remuneration	336,849	32,114
Multi-year variable remuneration	407,756	4,104,976
Medium-term component (2012)	407,756	–
Medium-term component (2013)	–	384,678
LTIP (2010 tranche)	–	–
LTIP (2011 tranche)	–	3,720,298
Miscellaneous	–	–
Total	**1,867,201**	**4,503,543**
Pension expense (service cost)	301,904	326,533
Total	**2,169,105**	**4,830,076**

Share-based component with long-term incentive effect

B.10

Number of shares	Number of SARS 2014 tranche	Number of SARS 2015 tranche
Dr Frank Appel, Chairman	427,578	570,516
Ken Allen	202,620	283,872
Roger Crook (until 27 April 2015)	202,620	90,120
Jürgen Gerdes	212,748	292,386
John Gilbert (since 11 March 2014)	155,778	207,852
Melanie Kreis (since 31 October 2014)	–	207,852
Lawrence Rosen	202,620	283,872

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 pensions are generally geared towards annuity payments. However, the members of the Board of Management have the option of choosing a lump sum payment instead of the annuity payment. The benefit amount depends on the pensionable income and the pension level derived from the years of service.

Pensionable income consists of the annual base salary (fixed annual remuneration) 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. Subsequent pension benefits increase or decrease to reflect changes in the consumer price index in Germany.

Pension commitments under the previous system B.11

	Pension commitments				
	Pension level on 31 Dec. 2014 %	Pension level on 31 Dec. 2015 %	Maximum pension level %	Present value (DBO) on 31 Dec. 2014 €	Present value (DBO) on 31 Dec. 2015 €
Dr Frank Appel, Chairman	50	50	50	17,206,903	15,922,337
Jürgen Gerdes	25	25	50	7,248,450	6,863,181
Total				**24,455,353**	**22,785,518**

Pension commitments under the new system

Since 4 March 2008, newly appointed Board of Management members have been granted pension commitments based upon a defined contribution plan. 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 in office. 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.

Board of Management pension commitments under the new system: individual breakdown B.12

€	Total contribution for 2014	Total contribution for 2015	Present value (DBO) as at 31 Dec. 2014	Present value (DBO) as at 31 Dec. 2015
Ken Allen	325,500	325,500	1,758,438	2,125,947
Roger Crook (until 27 April 2015)	301,000	81,375	1,112,203	1,220,305
John Gilbert (since 11 March 2014)	187,688	250,250	196,163	445,742
Melanie Kreis (since 31 October 2014)	454,639[1]	250,250	789,731	783,552
Lawrence Rosen	325,500	325,500	2,847,639	3,179,558
Total	**1,594,327**	**1,232,875**	**6,704,174**	**7,755,104**

[1] Including settlement of the benefits resulting from previous pension commitments in the amount of €412,931. With respect to invalidity benefits and surviving dependants' benefits, the minimum benefit is based on the previous pension commitment.

Benefits for former Board of Management members

Benefits paid to former members of the Board of Management or their surviving dependants amounted to €25.3 million in financial year 2015 (previous year: €6.0 million). The increase compared with the previous year was the result of two extraordinary items that will not impact the above line item on a permanent basis: firstly, the non-recurring payment made to Roger Crook, which is described in "Other provisions" and secondly, the increase in the number of retirees whose pension benefits fell due but for whom no new obligations were incurred in 2015. Those obligations were previously included in the provisions to be recognised for the pension fund members. The defined benefit obligation (DBO) for current pensions calculated under IFRSs was €94 million (previous year: €104 million). The decline in the DBO versus the prior year was mainly due to an increase in the IFRS discount rate.

Remuneration of the Supervisory Board

Remuneration for the members of the Supervisory Board is governed by article 17 of the Articles of Association of Deutsche Post AG, according to which Supervisory Board members receive a fixed annual remuneration only in the amount of €70,000 (as in the previous year).

The Supervisory Board chairman and the Supervisory Board committee chairs receive an additional 100% of the 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 financial year are remunerated on a pro-rata basis.

As in the previous year, Supervisory Board members receive an attendance allowance of €1,000 for each plenary meeting of the Supervisory Board or committee meeting that they attend. 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 2015 totalled €2,682,000 (previous year: €2,671,000). Table B.13 shows both totals, broken down as the remuneration paid to each Supervisory Board member.

Remuneration paid to Supervisory Board members B.13

€	2014			2015		
Board members	Fixed component	Attendance allowance	Total	Fixed component	Attendance allowance	Total
Prof. Dr Wulf von Schimmelmann (Chair)	315,000	23,000	**338,000**	315,000	25,000	**340,000**
Andrea Kocsis (Deputy Chair)	245,000	19,000	**264,000**	245,000	21,000	**266,000**
Rolf Bauermeister	140,000	16,000	**156,000**	140,000	18,000	**158,000**
Hero Brahms (until 27 May 2014)	52,500	4,000	**56,500**	–	–	**–**
Heinrich Josef Busch (until 30 November 2014)	64,167	7,000	**71,167**	–	–	**–**
Jörg von Dosky (since 9 December 2014)	5,833	1,000	**6,833**	70,000	8,000	**78,000**
Werner Gatzer	140,000	19,000	**159,000**	140,000	18,000	**158,000**
Prof. Dr Henning Kagermann	105,000	8,000	**113,000**	105,000	11,000	**116,000**
Thomas Koczelnik	175,000	21,000	**196,000**	175,000	24,000	**199,000**
Anke Kufalt	70,000	8,000	**78,000**	70,000	8,000	**78,000**
Thomas Kunz	70,000	6,000	**76,000**	70,000	6,000	**76,000**
Simone Menne (since 27 May 2014)	65,625	9,000	**74,625**	105,000	12,000	**117,000**
Roland Oetker	140,000	18,000	**158,000**	140,000	18,000	**158,000**
Andreas Schädler	70,000	8,000	**78,000**	70,000	8,000	**78,000**
Sabine Schielmann	70,000	8,000	**78,000**	70,000	8,000	**78,000**
Dr Ulrich Schröder	105,000	9,000	**114,000**	105,000	9,000	**114,000**
Dr Stefan Schulte	126,875	15,000	**141,875**	140,000	15,000	**155,000**
Stephan Teuscher	105,000	15,000	**120,000**	105,000	15,000	**120,000**
Helga Thiel	105,000	14,000	**119,000**	105,000	15,000	**120,000**
Elmar Toime	70,000	8,000	**78,000**	70,000	8,000	**78,000**
Stefanie Weckesser	105,000	13,000	**118,000**	105,000	13,000	**118,000**
Prof. Dr-Ing. Katja Windt	70,000	7,000	**77,000**	70,000	7,000	**77,000**

In addition, the variable remuneration for financial year 2013 falls due for payment as at the end of the 2016 AGM on the condition that the consolidated net profit per share for financial year 2015 exceeds the consolidated net profit per share for financial year 2012. Since this condition was not met, no performance-related remuneration with a long-term incentive effect will be paid out for financial year 2013.

In addition, the variable remuneration for financial year 2012 was paid out in the previous year (2014). According to the remuneration provisions applicable at the time, the above remuneration component 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. The total amount of the variable remuneration for 2012 was €616,250. Of that amount, €21,250 was attributable to one Supervisory Board member who left the company prior to 2014 and €595,000 to the Supervisory Board members active in 2014, as broken down by member in the following table:

Variable remuneration paid to Supervisory Board members for 2012 B.14

€ Active Board members in 2014	Variable remuneration (cap)
Prof. Dr Wulf von Schimmelmann (Chair)	70,000
Andrea Kocsis (Deputy Chair)	60,000
Rolf Bauermeister	30,000
Hero Brahms (until 27 May 2014)	40,000
Heinrich Josef Busch (until 30 November 2014)	20,000
Jörg von Dosky (since 9 December 2014)[1]	–
Werner Gatzer	40,000
Prof. Dr Henning Kagermann	20,000
Thomas Koczelnik	40,000
Anke Kufalt	20,000
Thomas Kunz	20,000
Simone Menne (since 27 May 2014)[1]	–
Roland Oetker	40,000
Andreas Schädler	20,000
Sabine Schielmann	20,000
Dr Ulrich Schröder	20,000
Dr Stefan Schulte	30,000
Stephan Teuscher	5,000
Helga Thiel	30,000
Elmar Toime	20,000
Stefanie Weckesser	30,000
Prof. Dr-Ing. Katja Windt	20,000

[1] Not a Board member in financial year 2012.

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CONSOLIDATED FINANCIAL STATEMENTS

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INCOME STATEMENT

1 January to 31 December C.01

€m	Note	2014	2015
Revenue	11	56,630	59,230
Other operating income	12	2,016	2,394
Total operating income		58,646	61,624
Materials expense	13	−32,042	−33,170
Staff costs	14	−18,189	−19,640
Depreciation, amortisation and impairment losses	15	−1,381	−1,665
Other operating expenses	16	−4,074	−4,740
Total operating expenses		−55,686	−59,215
Net income from investments accounted for using the equity method	17	5	2
Profit from operating activities (EBIT)		**2,965**	**2,411**
Financial income		74	94
Finance costs		−423	−410
Foreign currency result		−39	−38
Net finance costs	18	**−388**	**−354**
Profit before income taxes		**2,577**	**2,057**
Income taxes	19	−400	−338
Consolidated net profit for the period	20	**2,177**	**1,719**
attributable to Deutsche Post AG shareholders		2,071	1,540
attributable to non-controlling interests	21	106	179
Basic earnings per share (€)	22	**1.71**	**1.27**
Diluted earnings per share (€)	22	**1.64**	**1.22**

STATEMENT OF COMPREHENSIVE INCOME

1 January to 31 December

C.02

€m	Note	2014	2015
Consolidated net profit for the period	20	**2,177**	**1,719**
Items that will not be reclassified to profit or loss			
Change due to remeasurements of net pension provisions		–2,350	833
IFRS 3 revaluation reserve		–2	0
Other changes in retained earnings		2	0
Income taxes relating to components of other comprehensive income	19	285	–65
Share of other comprehensive income of investments accounted for using the equity method (after tax)		0	0
Total (after tax)		**–2,065**	**768**
Items that may be subsequently reclassified to profit or loss			
IAS 39 revaluation reserve			
Changes from unrealised gains and losses		112	62
Changes from realised gains and losses		0	–172
IAS 39 hedging reserve			
Changes from unrealised gains and losses		–73	–120
Changes from realised gains and losses		–19	102
Currency translation reserve			
Changes from unrealised gains and losses		454	472
Changes from realised gains and losses		0	0
Income taxes relating to components of other comprehensive income	19	17	12
Share of other comprehensive income of investments accounted for using the equity method (after tax)		4	5
Total (after tax)		**495**	**361**
Other comprehensive income (after tax)		**–1,570**	**1,129**
Total comprehensive income		**607**	**2,848**
attributable to Deutsche Post AG shareholders		488	2,665
attributable to non-controlling interests		119	183

BALANCE SHEET

C.03

€m	Note	31 Dec. 2014	31 Dec. 2015
ASSETS			
Intangible assets	24	12,352	12,490
Property, plant and equipment	25	7,177	7,795
Investment property	26	32	25
Investments accounted for using the equity method	27	75	76
Non-current financial assets	28	1,363	1,113
Other non-current assets	29	151	221
Deferred tax assets	30	1,752	2,007
Non-current assets		**22,902**	**23,727**
Inventories	31	332	281
Current financial assets	28	351	179
Trade receivables	32	7,825	7,694
Other current assets	29	2,415	2,172
Income tax assets	33	172	197
Cash and cash equivalents	34	2,978	3,608
Assets held for sale	35	4	12
Current assets		**14,077**	**14,143**
Total ASSETS		**36,979**	**37,870**
EQUITY AND LIABILITIES			
Issued capital	36	1,210	1,211
Capital reserves	37	2,339	2,385
Other reserves	38	–341	11
Retained earnings	39	6,168	7,427
Equity attributable to Deutsche Post AG shareholders	40	9,376	11,034
Non-controlling interests	41	204	261
Equity		**9,580**	**11,295**
Provisions for pensions and similar obligations	42	7,226	6,221
Deferred tax liabilities	30	84	142
Other non-current provisions	43	1,556	1,512
Non-current provisions		8,866	7,875
Non-current financial liabilities	44	4,683	4,625
Other non-current liabilities	45	255	234
Non-current liabilities		4,938	4,859
Non-current provisions and liabilities		**13,804**	**12,734**
Current provisions	43	1,545	1,486
Current financial liabilities	44	486	553
Trade payables	46	6,922	7,069
Other current liabilities	45	4,196	4,255
Income tax liabilities	33	446	476
Liabilities associated with assets held for sale	35	0	2
Current liabilities		12,050	12,355
Current provisions and liabilities		**13,595**	**13,841**
Total EQUITY AND LIABILITIES		**36,979**	**37,870**

CASH FLOW STATEMENT

1 January to 31 December

C.04

€m

	Note	2014	2015
Consolidated net profit for the period attributable to Deutsche Post AG shareholders		2,071	1,540
Consolidated net profit for the period attributable to non-controlling interests		106	179
Income taxes		400	338
Net finance costs		388	354
Profit from operating activities (EBIT)		**2,965**	**2,411**
Depreciation, amortisation and impairment losses		1,381	1,665
Net income from disposal of non-current assets		–11	–261
Non-cash income and expense		–4	–68
Change in provisions		–698	–495
Change in other non-current assets and liabilities		–25	–12
Dividend received		1	1
Income taxes paid		–548	–585
Net cash from operating activities before changes in working capital		**3,061**	**2,656**
Changes in working capital			
Inventories		106	80
Receivables and other current assets		–814	460
Liabilities and other items		687	248
Net cash from operating activities	47.1	**3,040**	**3,444**
Subsidiaries and other business units		4	15
Property, plant and equipment and intangible assets		200	175
Investments accounted for using the equity method and other investments		0	223
Other non-current financial assets		118	24
Proceeds from disposal of non-current assets		322	437
Subsidiaries and other business units		–5	0
Property, plant and equipment and intangible assets		–1,750	–2,104
Investments accounted for using the equity method and other investments		–1	0
Other non-current financial assets		–103	–47
Cash paid to acquire non-current assets		–1,859	–2,151
Interest received		45	47
Current financial assets		405	205
Net cash used in investing activities	47.2	**–1,087**	**–1,462**
Proceeds from issuance of non-current financial liabilities		43	14
Repayments of non-current financial liabilities		–1,030	–33
Change in current financial liabilities		–53	–50
Other financing activities		–5	–22
Proceeds from transactions with non-controlling interests		0	0
Cash paid for transactions with non-controlling interests		–34	–15
Dividend paid to Deutsche Post AG shareholders		–968	–1,030
Dividend paid to non-controlling interest holders		–90	–124
Purchase of treasury shares		–85	–70
Proceeds from issuing shares or other equity instruments		62	39
Interest paid		–188	–76
Net cash used in financing activities	47.3	**–2,348**	**–1,367**
Net change in cash and cash equivalents		**–395**	**615**
Effect of changes in exchange rates on cash and cash equivalents		–42	16
Changes in cash and cash equivalents associated with assets held for sale		0	–1
Changes in cash and cash equivalents due to changes in consolidated group		1	0
Cash and cash equivalents at beginning of reporting period		3,414	2,978
Cash and cash equivalents at end of reporting period	47.4	**2,978**	**3,608**

STATEMENT OF CHANGES IN EQUITY

1 January to 31 December

C.05

€m	Issued capital	Capital reserves	Other reserves: IFRS 3 revaluation reserve	Other reserves: IAS 39 revaluation reserve	Other reserves: IAS 39 hedging reserve	Other reserves: Currency translation reserve	Retained earnings	Equity attributable to Deutsche Post AG shareholders	Non-controlling interests	Total equity
Note	36	37	38.1	38.2	38.3	38.4	39	40	41	
Balance at 1 January 2014	1,209	2,269	2	68	37	−924	7,183	9,844	190	10,034
Capital transactions with owner										
Dividend							−968	−968	−101	−1,069
Transactions with non-controlling interests			0	0	0	0	−6	−6	−15	−21
Changes in non-controlling interests due to changes in consolidated group								0	5	5
Issue of shares or other equity instruments	2	54					0	56	6	62
Purchase of treasury shares	−3	0					−82	−85	0	−85
Share-based payment schemes (issuance)	0	47					0	47	0	47
Share-based payment schemes (exercise)	2	−31					29	0	0	0
								−956	**−105**	**−1,061**
Total comprehensive income										
Consolidated net profit for the period							2,071	2,071	106	2,177
Currency translation differences						441	0	441	17	458
Change due to remeasurements of net pension provisions							−2,061	−2,061	−4	−2,065
Other changes	0	0	−2	102	−65		2	37	0	37
								488	**119**	**607**
Balance at 31 December 2014	**1,210**	**2,339**	**0**	**170**	**−28**	**−483**	**6,168**	**9,376**	**204**	**9,580**
Balance at 1 January 2015	1,210	2,339	0	170	−28	−483	6,168	9,376	204	9,580
Capital transactions with owner										
Dividend							−1,030	−1,030	−123	−1,153
Transactions with non-controlling interests			0	0	0	0	−3	−3	−3	−6
Changes in non-controlling interests due to changes in consolidated group								0	0	0
Issue of shares or other equity instruments	2	37					0	39	0	39
Purchase of treasury shares	−3	0					−67	−70	0	−70
Share-based payment schemes (issuance)	0	57					0	57	0	57
Share-based payment schemes (exercise)	2	−48					46	0	0	0
								−1,007	**−126**	**−1,133**
Total comprehensive income										
Consolidated net profit for the period							1,540	1,540	179	1,719
Currency translation differences						468	0	468	9	477
Change due to remeasurements of net pension provisions							773	773	−5	768
Other changes	0	0	0	−103	−13		0	−116	0	−116
								2,665	**183**	**2,848**
Balance at 31 December 2015	**1,211**	**2,385**	**0**	**67**	**−41**	**−15**	**7,427**	**11,034**	**261**	**11,295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DEUTSCHE POST AG

BASIS OF PREPARATION

Deutsche Post DHL Group is a global mail and logistics group. The Deutsche Post and DHL corporate brands represent a portfolio of logistics (DHL) and communication (Deutsche Post) services. 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.

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 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 2015, are generally based on the same accounting policies used in the 2014 consolidated financial statements. Exceptions to this are the changes in international financial reporting under the IFRSS described in Note 5 that have been required to be applied by the Group since 1 January 2015. The accounting policies are explained in Note 7.

These consolidated financial statements were authorised for issue by a resolution of the Board of Management of Deutsche Post AG dated 1 March 2016.

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

2 Consolidated group

The consolidated group includes all companies controlled by Deutsche Post AG. Control exists if Deutsche Post AG has decision-making powers, is exposed to, and has rights to, variable returns, and is able to use its decision-making powers to affect the amount of the variable returns. The Group companies are consolidated from the date on which Deutsche Post DHL Group is able to exercise control.

When Deutsche Post DHL Group holds less than the majority of voting rights, other contractual arrangements may result in the Group controlling the investee.

DHL Sinotrans International Air Courier Ltd. (Sinotrans), China, is a significant company that has been consolidated despite Deutsche Post DHL Group not having a majority of voting rights. Sinotrans provides domestic and international express delivery and transport services and has been assigned to the Express segment. The company is fully integrated into the global DHL network and operates exclusively for Deutsche Post DHL Group. Due to the arrangements in the Network Agreement, DHL is able to prevail in decisions concerning Sinotrans' relevant activities. Sinotrans has therefore been consolidated fully although Deutsche Post DHL Group holds no more than 50% of the company's share capital.

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 online at www.dpdhl.com/en/investors.html.

The companies listed in the following table are consolidated in addition to the parent company Deutsche Post AG:

Consolidated group

	2014	2015
Number of fully consolidated companies (subsidiaries)		
German	90	139
Foreign	685	658
Number of joint operations		
German	1	1
Foreign	1	1
Number of investments accounted for using the equity method		
German	1	1
Foreign	14	15

At the beginning of 2015, Deutsche Post DHL Group founded 49 regional companies under the umbrella of DHL Delivery GmbH to secure the increased demand for labour as a result of continued sustained growth in the parcel business.

2.1 Acquisitions

Acquisitions in 2015

No acquisitions were made in financial year 2015.

Acquisitions in 2014

Freight forwarding, transport and logistics service provider DHL Global Forwarding & Co. LLC (DHL Oman), Oman, which was accounted for using the equity method until April 2014, has been consolidated since May 2014 due to contractual changes. In December 2014, Deutsche Post DHL Group acquired StreetScooter GmbH. The company develops electric vehicles. As a result of the acquisition, Deutsche Post DHL Group also acquired the development and production rights to the vehicles.

Acquisitions, 2014

Name	Country	Segment	Interest %	Date of acquisition
DHL Global Forwarding & Co. LLC (DHL Oman), Muscat	Oman	Global Forwarding, Freight	40	7 May 2014
StreetScooter GmbH, Aachen	Germany	PeP	100	18 Dec. 2014

Insignificant acquisitions, 2014

€m 1 January to 31 December	Carrying amount	Adjustment	Fair value
Non-current assets	3	–	3
Current assets	11	–	11
Cash and cash equivalents	5	–	5
ASSETS	19	–	19
Current provisions and liabilities	9	–	9
EQUITY AND LIABILITIES	9	–	9
Net assets			10

The calculation of goodwill is presented in the following table:

Goodwill, 2014

€m	Fair value
Contractual consideration	7
Fair value of the existing equity interest[1]	2
Total cost	9
Less net assets	10
Difference	–1
Plus non-controlling interests[2]	3
Goodwill	2

[1] Gain on the change in the method of consolidation is recognised under other operating income.
[2] Non-controlling interests are recognised at their carrying amounts.

Following their consolidation, the companies contributed €17 million to consolidated revenue and €2 million to consolidated EBIT in financial year 2014. If the companies had already been acquired as at 1 January 2014, they would have contributed an additional €8 million to consolidated revenue and €1 million to consolidated EBIT in 2014.

Transaction costs amounted to less than €1 million and are reported in other operating expenses.

In 2014, €7 million was paid for the companies acquired in financial year 2014, and €3 million was paid for companies acquired in previous years. The purchase price for the companies acquired was paid by transferring cash funds.

2.2 Disposal and deconsolidation effects

Gains are shown in other operating income; losses are reported in other operating expenses.

Disposal and deconsolidation effects, 2015

The disposal and deconsolidation effects in financial year 2015 were as follows:

Disposal and deconsolidation effects, 2015

€m 1 January to 31 December	DHL SC Ltd.
Non-current assets	3
Current assets	0
Cash and cash equivalents	0
ASSETS	3
Non-current provisions and liabilities	0
Current provisions and liabilities	0
EQUITY AND LIABILITIES	0
Net assets	3
Total agreed consideration	14
Obligation assumed	5
Income from the currency translation reserve	0
Non-controlling interests	0
Deconsolidation gain (+)/loss (–)	6

SUPPLY CHAIN SEGMENT

In December 2015, DHL Supply Chain Limited (DHL SC Ltd.), UK, sold its food procurement business.

GLOBAL FORWARDING, FREIGHT SEGMENT

The fine art transportation business of DHL Global Forwarding (Denmark) A/S, Denmark, was sold in December 2015. Since all of the amounts involved were less than €1 million, they are not shown in the table "Disposal and deconsolidation effects, 2015".

Disposal and deconsolidation effects, 2014

The disposal and deconsolidation effects in financial year 2014 were as follows:

Disposal and deconsolidation effects, 2014

€m 1 January to 31 December	Hull Blyth	Digital Solutions Business	Compador Technologies	Total
Non-current assets	1	1	1	3
Current assets	3	0	0	3
Cash and cash equivalents	0	0	0	0
ASSETS	4	1	1	6
Non-current provisions and liabilities	0	0	5	5
Current provisions and liabilities	2	0	1	3
EQUITY AND LIABILITIES	2	0	6	8
Net assets	2	1	−5	−2
Total consideration received	2	4	−4	2
Income from the currency translation reserve	0	0	0	0
Non-controlling interests	0	0	2	2
Deconsolidation gain (+)/loss (–)	0	3	−1	2

POST - ECOMMERCE - PARCEL SEGMENT

The German company Compador Technologies, Berlin, was sold and deconsolidated in December 2014.

SUPPLY CHAIN SEGMENT

In December 2014, DHL Supply Chain Limited, UK, sold its Digital Solutions Business by way of an asset deal.

GLOBAL FORWARDING, FREIGHT SEGMENT

In July 2014, activities not forming part of the core business of Hull Blyth (Angola) Ltd., Angola, including the related non-current assets and the company Hull Blyth Angola Viagens e Turismo Lda., Angola, were sold. During the course of the year, the assets and liabilities were reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement of the assets prior to reclassification did not indicate any impairment.

2.3 Joint operations

Joint operations are consolidated in accordance with IFRS 11, based on the interest held.

A significant joint operation is Aerologic GmbH (Aerologic), Germany, a cargo airline domiciled in Leipzig. The company has been allocated to the Express segment. It was jointly established by Lufthansa Cargo AG and Deutsche Post Beteiligungen Holding GmbH, which each hold 50% of its capital and voting rights. Aerologic's shareholders are simultaneously its customers, giving them access to its freight aircraft capacity. Aerologic serves the DHL Express network exclusively from Monday to Friday, whilst it flies for the Lufthansa Cargo network at weekends. In contrast to its capital and voting rights, the company's assets and liabilities, as well as its income and expenses, are allocated based on this user relationship.

3 Significant transactions

In the first half of 2015, 4.16% of the shares in Sinotrans Ltd. (Sinotrans), China, and shares in the property development companies King's Cross Central Property Trust and King's Cross Central General Partner Ltd. (King's Cross companies), UK, were sold. The gains on the disposal of the shares are reported in other operating income, Note 12.

DHL Global Forwarding discontinued the use of the New Global Forwarding (NFE) system. The majority of the assets capitalised in relation to NFE were therefore written off, Note 15. In addition, provisions of €37 million were recognised in this context in the third quarter of 2015. They relate to unavoidable expenses from ongoing contracts where the obligations exceed the economic benefits, and are reported as materials expense. Income in the amount of €11 million was recognised in the fourth quarter, based on agreements with the implementation partner.

4 Adjustment of prior-period amounts

No prior-period amounts were adjusted in financial year 2015.

5 New developments in international accounting under IFRSS

New Standards required to be applied in financial year 2015

The following Standards, changes to Standards and Interpretations are required to be applied from 1 January 2015:

Standard	Effective for financial years beginning on or after	Subject matter and significance
IFRIC 21, Levies	17 June 2014	This interpretation provides guidance on when to recognise a liability for a levy imposed by a government. It covers the recognition of levies imposed in accordance with laws or regulations. It does not include taxes, fines and other outflows that fall within the scope of other standards. The effects of this interpretation on the consolidated financial statements are immaterial.
Annual Improvements to IFRSS 2011–2013 Cycle	1 January 2015	The annual improvement process refers to the following standards: IFRS 1, IFRS 3, IFRS 13 and IAS 40. The amendments do not have a significant influence 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 EU. However, they will only be required to be applied in future periods.

Standard (Issue date)	Effective for financial years beginning on or after	Subject matter and significance
Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (21 November 2013)	1 February 2015[1]	The amendments apply to the recognition of employee contributions to defined benefit retirement plans. Their objective is to simplify accounting for employee contributions that are independent of the number of years of service. In such cases, the service cost in the period in which the corresponding service is rendered may be reduced. The new requirements must be applied retrospectively. Application will not lead to any significant effects.
Annual Improvements to IFRSS 2010–2012 Cycle (12 December 2013)	1 February 2015[1]	The annual improvement process refers to the following standards: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 37, IAS 38 and IAS 39. The amendments will not have a significant influence on the consolidated financial statements.
Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (12 May 2014)	1 January 2016	The amendments expand the existing requirements relating to the permitted depreciation and amortisation methods for intangible assets and for property, plant and equipment. The amendments specify that revenue-based depreciation and amortisation methods are not permitted for property, plant and equipment, and may only be used for intangible assets in certain exceptional circumstances. In addition, the amendments clarify that a reduction in the selling price of goods and services could signal obsolescence, which could in turn reflect a reduction in the economic benefits available from the asset. The requirements are applicable prospectively. Voluntary early application is permitted. Application will not have a significant effect on the consolidated financial statements.
Amendments to IFRS 11, Joint Arrangements – Acquisition of Interests in Joint Operations (6 May 2014)	1 January 2016	The amendment clarifies that the acquisition and additional acquisition of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, must be recognised in accordance with the principles governing business combinations accounting in IFRS 3 and other relevant IFRSS, with the exception of those principles that conflict with the requirements of IFRS 11. The amendments do not apply if the reporting entity and the other parties involved are under the common control of the same ultimate controlling party. The new requirements are applicable prospectively. Voluntary earlier application is permitted. The amendment will not have a significant effect on the Group.
Annual Improvements to IFRSS 2012–2014 Cycle (25 September 2014)	1 January 2016	The annual improvement process refers to the following standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments will not have a significant influence on the consolidated financial statements.
Amendments to IAS 1, Presentation of Financial Statements: Disclosure Initiative (18 December 2014)	1 January 2016	The changes comprise clarifications relating to the materiality of the items presented in all components of the IFRS financial statements. Information that is not material need not be presented. This applies even if disclosure is explicitly required in other standards. In addition, the revised version of IAS 1 includes new rules or clarifications of existing requirements concerning the presentation of subtotals, the structure of the notes and the disclosures on accounting policies. The presentation of the interest in equity-accounted investments in other comprehensive income is also clarified. The amendments will not have a significant effect on the financial statements.
The following are not relevant for the consolidated financial statements: amendments to IAS 27, Equity Method in Separate Financial Statements.		

[1] The effective date was amended for companies within the EU. This is a departure from the original standard.

New accounting requirements not yet adopted by the EU (endorsement procedure)

The IASB and the IFRIC issued further Standards, amendments to Standards and Interpretations in financial year 2015 and in previous years whose application is not yet mandatory for financial year 2015. 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 (24 July 2014)	1 January 2018	IFRS 9 contains requirements governing the recognition and measurement of financial instruments, derecognition and hedge accounting. It thus replaces the previously applicable IAS 39. Initial application is in principle retrospective, although transition relief is provided. In future, financial assets and liabilities must be classified on the basis of the business model in which they are held and their cash flow characteristics. The reclassification of financial instruments, particularly financial assets, will not have a material effect on the consolidated financial statements. The change in the recognition of impairment losses from the incurred loss model to the expected loss model will have a one-time effect. However, this effect is unlikely to be significant, as the majority of the financial assets are trade receivables, for which the full lifetime expected loss model (simplified approach) will in future apply. Customer credit quality will directly impact the impairment process in the future. Any fluctuations will be directly reflected in net income. IFRS 9 will also more closely align hedge accounting with risk management objectives. In particular, the new requirements on hedging individual risk components, which are applicable for both non-financial and financial items, will considerably simplify the designation and presentation of hedging relationships. The range of hedged items permitted will in future be extended to cover combinations of derivative and non-derivative financial instruments, and parts or tranches of individual financial and non-financial items. The requirements for assessing hedge effectiveness, rebalancing hedging relationships and the de-designation of hedging relationships will also be simplified. Overall, the new hedge accounting requirements will result in greater flexibility with regard to hedging individual risks. They are not expected to have a material effect on the Group's results. The new requirements will more transparently reflect the risk management approach of Deutsche Post DHL Group.
IFRS 15, Revenue from Contracts with Customers (28 May 2014) including the amendment to IFRS 15 (11 September 2015)	1 January 2018	This standard will in future replace the existing requirements governing revenue recognition under IAS 18 Revenue and IAS 11 Construction Contracts. The new standard establishes uniform requirements regarding the amount, time and time period of revenue recognition, which are applicable for all sectors and for all categories of revenue transaction. The standard provides a principle-based five-step model that must be applied to all contracts with customers. It also introduces extensive disclosure requirements. The requirements must in principle be applied retrospectively. The effects on the consolidated financial statements are being reviewed.
IFRS 16, Leases (13 January 2016)	1 January 2019	IFRS 16 replaces the existing standard on accounting for leases, IAS 17, and the interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 requires lessees to adopt a completely new approach to the presentation of leases. In future, assets must be recognised for the right of use received and liabilities must be recognised for the payment obligations entered into for all leases. Exemptions are provided for low-value lease assets and short-term leases. In contrast, the accounting requirements for lessors remain largely unchanged, particularly with regard to the continued requirement to classify leases. The standard must be applied for the first time for reporting periods beginning on or after 1 January 2019. Voluntary early application is permitted, provided that IFRS 15 is also applied. The Group is currently reviewing and assessing its existing leases. With regard to the financial obligations reported as operating lease liabilities under Note 50, application of the standard will have a material effect on the consolidated financial statements. In particular, it will result in an increase in total assets and liabilities.
Amendments to IAS 12, Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (16 January 2016)	1 January 2017	The amendment of IAS 12 clarifies that unrealised losses on debt instruments measured at fair value result in deductible temporary differences. It also clarifies that an assessment must be made for the aggregate of all deductible temporary differences of whether it is probable that sufficient taxable income will be available in future to allow the temporary differences to be used and recognised. Rules and examples supplementing IAS 12 clarify how future taxable income is to be determined for recognition of deferred tax assets. The effects on the Group will be immaterial.
Amendments to IAS 7, Statement of Cash Flows (29 January 2016)	1 January 2017	The amendments provide clarifications regarding an entity's financing activities. Their objective is to make it easier for users of financial statements to assess an entity's financial liabilities. The effects on the consolidated financial statements are being reviewed.
The following are not relevant for the consolidated financial statements: IFRS 14, Regulatory Deferral Accounts; amendments to IFRS 10 and IAS 28, Sale or Contributions of Assets between an Investor and its Associate/Joint Venture; amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception.		

6 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 2015, currency translation differences amounting to €477 million (previous year: €458 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	2014 EUR 1 =	2015 EUR 1 =	2014 EUR 1 =	2015 EUR 1 =
AUD	Australia	1.4823	1.4905	1.4729	1.4771
CNY	China	7.5389	7.0687	8.1891	6.9773
GBP	UK	0.7789	0.7345	0.8064	0.7264
JPY	Japan	145.1930	131.0778	140.3815	134.3334
SEK	Sweden	9.3797	9.1879	9.1000	9.3523
CHF	Switzerland	1.2025	1.0823	1.2146	1.0680
USD	USA	1.2148	1.0886	1.3291	1.1105

The carrying amounts of non-monetary assets recognised at significant 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 2015, income of €280 million (previous year: €171 million) and expenses of €267 million (previous year: €170 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.

7 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 Group'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, which comprise internally generated and purchased intangible assets and purchased goodwill, are measured at amortised cost.

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 over its useful life.

Intangible assets are amortised using the straight-line method over their useful lives. Impairment losses are recognised in accordance with the principles described in the section headed Impairment. The useful lives of significant intangible assets are presented in the table below.

Useful lives

	Years[1]
Internally developed software	up to 10
Purchased software	up to 5
Licences	term of agreement
Customer relationship	up to 20

[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.

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 generally include brand names from business combinations and goodwill, for example. 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 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 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 is 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 (present value of the pre-tax free cash flows expected to be derived from the asset in future), whichever is higher. The discount rate used for the value in use 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 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 expenses under materials expense. Lease expenses and income are recognised using the straight-line method.

Investments accounted for using the equity method

Investments accounted for using the equity method cover associates and joint ventures. These are recognised using the equity method in accordance with IAS 28, Investments in Associates and Joint Ventures. 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 and joint ventures 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 accounted for using the equity method are impaired if the recoverable amount falls below the carrying amount. Gains and losses from the disposal of investments accounted for using the equity method, as well as impairment losses and their reversals, are recognised in other operating income or other operating expenses.

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

Under the fair value 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 twelve 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 twelve 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 twelve 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 48.2.

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 20 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 payments to executives

Equity-settled share-based payment transactions are measured at fair value at the grant date. The fair value of the obligation is recognised in staff costs over the vesting period. The fair value of equity-settled share-based payment transactions is determined using internationally recognised valuation techniques.

Stock appreciation rights 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.

Retirement plans

There are arrangements (plans) in many countries under which the Group grants post-employment benefits to its hourly workers and salaried employees. These benefits include pensions, lump-sum payments on retirement and other post-employment benefits and are referred to as retirement benefits, pensions and similar benefits, or simply pensions, in these disclosures. A distinction must be made between defined benefit and defined contribution plans.

THE GROUP'S DEFINED BENEFIT RETIREMENT PLANS

Defined benefit obligations are measured using the projected unit credit method prescribed by IAS 19. This involves making certain actuarial assumptions. Most of the defined benefit retirement plans are at least partly funded via external plan assets. The remaining net liabilities are funded by provisions for pensions and similar obligations; net assets are presented separately as pension assets. Where necessary, an asset ceiling must be applied when recognising pension assets. With regard to the cost components, the service cost is recognised in staff costs, the net interest cost in net financial income/net finance costs and any remeasurement outside profit and loss in other comprehensive income.

DEFINED CONTRIBUTION RETIREMENT PLANS FOR CIVIL SERVANT EMPLOYEES IN GERMANY

In accordance with statutory provisions, Deutsche Post AG pays contributions to retirement plans in Germany which are defined contribution retirement plans for the company. These contributions are recognised in staff costs.

Under the provisions of the *Gesetz zum Personalrecht der Beschäftigten der früheren Deutschen Bundespost* (PostPersRG – Former Deutsche Bundespost Employees Act) Deutsche Post AG provides benefit and assistance payments through the *Postbeamtenversorgungskasse* (PVK) (postal civil servant pension fund) at the *Bundesanstalt für Post und Telekommunikation* (BAnstPT – German federal post and telecommunications agency) 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 PVK 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.

Under section 16 of the PostPersRG, the federal government makes good the difference between the current payment obligations of the PVK on the one hand, and the funding companies' current contributions or other return on assets on the other, and guarantees that the PVK 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 PVK under the terms of this guarantee, it cannot claim reimbursement from Deutsche Post AG.

DEFINED CONTRIBUTION RETIREMENT PLANS FOR THE GROUP'S HOURLY WORKERS AND SALARIED EMPLOYEES

Contributions to defined contribution retirement plans for the Group's hourly workers and salaried employees are also reported under staff costs.

This also includes contributions to certain multi-employer plans which are basically defined benefit plans, especially in the USA and the Netherlands. However, the relevant institutions do not provide the participating companies with sufficient information to use defined benefit accounting. The plans are therefore accounted for as if they were defined contribution plans.

Regarding these multi-employer plans in the USA, contributions are made based on collective agreements between the employer and the local union. There is no employer liability to any of the plans beyond the normal bargained contribution rates except in the event of a withdrawal meeting specified criteria or in the event of liability for other entities' obligations as governed by US federal law. The expected employer contributions to the funds for 2016 are €35 million (actual employer contributions in the reporting year: €32 million, in the previous year: €25 million). Some of the plans in which Deutsche Post DHL Group participates are underfunded according to information provided by the funds. There is no information from the plans that would indicate any change from the contribution rates set by current collective agreements. Deutsche Post DHL Group does not represent a significant level to any fund in terms of contributions, with the exception of one fund where the Group represents the largest employer in terms of contributions.

Regarding one multi-employer plan in the Netherlands, cost coverage-based contribution rates are set annually by the board of the pension fund with the involvement of the Central Bank of the Netherlands; the individual contribution rates are equal for all participating employers and employees. There is no liability for the employer towards the fund beyond the contributions set, even in the case of withdrawal or obligations not met by other entities. Any subsequent underfunding ultimately results in the rights of members being cut and/or no indexation of their rights. The expected employer contributions to the fund for 2016 are €21 million (actual employer contributions in the reporting year: €21 million, in the previous year: €21 million). As at 31 December 2015, the coverage degree of plan funding was higher than 100%, but lower than 105% (a required minimum), according to information provided by the fund. Deutsche Post DHL Group does not represent a significant portion of the fund in terms of contributions.

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 region and time to settlement of the obligation. The discount rates used in the financial year were between 0.0% and 13.75% (previous year: 0.0% and 12%). 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 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 obligations in respect of incidents taking place on or before the balance sheet date that have not been reported to the company. 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. The recoverability of the tax reduction claims is assessed on the basis of each entity's earnings projections which are derived from the Group projections and take any tax adjustments into account. The planning horizon is five years.

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 30.

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 applied to German Group companies is unchanged at 30.2%. It 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 38% (previous year: 40%).

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. Tax-related fines are recognised in income taxes if they are included in the calculation of income tax liabilities, due to their inclusion in the tax base and/or tax rate.

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 49.

8 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.

Disclosures regarding the assumptions made in connection with the Group's defined benefit retirement plans can be found in Note 42.

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 assumptions 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 51. 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 significant adjustments in financial year 2016 to the carrying amounts of the assets and liabilities recognised in the financial statements.

9 Consolidation methods

The consolidated financial statements are based on the IFRS financial statements of Deutsche Post AG and the subsidiaries, joint operations and investments accounted for using the equity method included in the consolidated financial statements and prepared in accordance with uniform accounting policies as at 31 December 2015.

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 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.

The assets and liabilities, as well as income and expenses, of joint operations are included in the consolidated financial statements in proportion to the interest held in these operations, in accordance with IFRS 11. Accounting for the joint operators' share of the assets and liabilities, as well as recognition and measurement of goodwill, use the same methods as applied to the consolidation of subsidiaries.

In accordance with IAS 28, joint ventures and 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 accounted for using the equity method.

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 companies that are consolidated fully or on a proportionate basis are eliminated. Intercompany profits or losses from intra-group deliveries and services not realised by sale to third parties are eliminated. Unrealised gains and losses from business transactions with investments accounted for using the equity method are eliminated on a proportionate basis.

SEGMENT REPORTING

10 Segment reporting

Segments by division

€m	PeP		Express		Global Forwarding, Freight		Supply Chain		Corporate Center/ Other		Consolidation[1]		Group	
1 Jan. to 31 Dec.	2014	2015	2014	2015	2014	2015	2014	2015	2014[2]	2015	2014[2]	2015	2014	2015
External revenue	15,546	15,996	12,116	13,283	14,201	14,183	14,627	15,681	140	87	0	0	**56,630**	**59,230**
Internal revenue	140	135	375	378	723	707	110	110	1,205	1,182	–2,553	–2,512	**0**	**0**
Total revenue	15,686	16,131	12,491	13,661	14,924	14,890	14,737	15,791	1,345	1,269	–2,553	–2,512	**56,630**	**59,230**
Profit/loss from operating activities (EBIT)	1,298	1,103	1,260	1,391	293	–181	465	449	–352	–351	1	0	**2,965**	**2,411**
of which net income from investments accounted for using the equity method	0	0	1	1	2	–1	2	2	0	0	0	0	**5**	**2**
Segment assets	5,384	5,576	8,644	9,352	8,488	8,004	6,401	6,405	1,630	1,541	–200	–179	**30,347**	**30,699**
of which investments accounted for using the equity method	6	1	43	46	24	25	2	3	0	0	0	1	**75**	**76**
Segment liabilities	2,611	2,814	2,985	3,197	3,188	3,061	3,132	3,051	1,007	992	–166	–142	**12,757**	**12,973**
Capex	415	533	571	856	207	123	304	318	380	192	–1	2	**1,876**	**2,024**
Depreciation and amortisation	335	318	355	391	88	86	267	306	217	229	–1	0	**1,261**	**1,330**
Impairment losses	5	1	107	13	0	310	1	7	7	4	0	0	**120**	**335**
Total depreciation, amortisation and impairment losses	340	319	462	404	88	396	268	313	224	233	–1	0	**1,381**	**1,665**
Other non-cash expenses	280	330	177	184	121	169	91	153	80	58	0	0	**749**	**894**
Employees	164,582	169,430	73,009	79,318	44,311	44,588	146,400	145,827	12,507	10,747	0	0	**440,809**	**449,910**

[1] Including rounding.
[2] Adjustment of prior-period amounts due to reorganisation in accordance with "Strategy 2020".

The segment liabilities include the non-interest bearing provisions.
The employee numbers are expressed as average numbers of FTEs.

Information about geographical regions

€m	Germany		Europe (excluding Germany)		Americas		Asia Pacific		Other regions		Group	
1 Jan. to 31 Dec.	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
External revenue	17,367	17,493	18,501	19,013	9,375	10,294	9,143	10,063	2,244	2,367	**56,630**	**59,230**
Non-current assets	5,532	5,298	6,915	7,264	3,515	3,876	3,289	3,553	373	390	**19,624**	**20,381**
Capex	1,092	911	300	574	223	267	191	223	70	49	**1,876**	**2,024**

10.1 Segment reporting disclosures

Deutsche Post DHL Group 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 Group'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 their origin. 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 PeP division.

As part of the central management of currency risk, Corporate Treasury is responsible for deciding on the central absorbtion of fluctuations between projected and actual exchange rates on the basis of division-specific agreements.

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.

The profitability of the Group's operating areas is measured as profit from operating activities (EBIT).

10.2 Segments by division

Reflecting the Group's predominant organisational structure, the primary reporting format is based on the divisions. The Group distinguishes between the following divisions:

Post - eCommerce - Parcel

The Post - eCommerce - Parcel division handles both domestic and international mail and is a specialist in dialogue marketing, nationwide press distribution services and all the electronic services associated with mail delivery. In addition to Germany, it also offers domestic parcel services in other markets. It is divided into two business units: Post, and eCommerce - Parcel.

EXPRESS

The Express division offers time-definite courier and express services to business and private customers. The division comprises the Express Europe, Express Americas, Express Asia Pacific and Express MEA (Middle East and Africa) business units.

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.

SUPPLY CHAIN

The Supply Chain division delivers customised logistics solutions to its customers based on globally standardised modular components including warehousing, transport and value-added services. In addition, it offers specialised Business Process Outsourcing (BPO) and marketing communications solutions tailored to customers' needs.

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.

10.3 Information about geographical regions

The main geographical regions 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.

10.4 Reconciliation of segment amounts

Reconciliation of segment amounts to consolidated amounts

Reconciliation to the income statement

€m	Total for reportable segments		Corporate Center/Other		Reconciliation to Group/Consolidation[1]		Consolidated amount	
	2014[2]	2015	2014[2]	2015	2014[2]	2015	2014	2015
External revenue	56,490	59,143	140	87	0	0	**56,630**	**59,230**
Internal revenue	1,348	1,330	1,205	1,182	−2,553	−2,512	**0**	**0**
Total revenue	**57,838**	**60,473**	**1,345**	**1,269**	**−2,553**	**−2,512**	**56,630**	**59,230**
Other operating income	1,916	2,333	1,318	1,340	−1,218	−1,279	**2,016**	**2,394**
Materials expense	−33,422	−34,583	−1,303	−1,287	2,683	2,700	**−32,042**	**−33,170**
Staff costs	−17,254	−18,749	−944	−902	9	11	**−18,189**	**−19,640**
Depreciation, amortisation and impairment losses	−1,158	−1,432	−224	−233	1	0	**−1,381**	**−1,665**
Other operating expenses	−4,609	−5,282	−544	−538	1,079	1,080	**−4,074**	**−4,740**
Net income from investments accounted for using the equity method	5	2	0	0	0	0	**5**	**2**
Profit/loss from operating activities (EBIT)	**3,316**	**2,762**	**−352**	**−351**	**1**	**0**	**2,965**	**2,411**
Net finance costs							**−388**	**−354**
Profit before income taxes							**2,577**	**2,057**
Income taxes							**−400**	**−338**
Consolidated net profit for the period							**2,177**	**1,719**
of which attributable to								
Deutsche Post AG shareholders							**2,071**	**1,540**
Non-controlling interests							**106**	**179**

[1] Including rounding.
[2] Adjustment of prior-period amounts due to reorganisation in accordance with "Strategy 2020".

The following table shows the reconciliation of Deutsche Post DHL Group'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	2014	2015
Total assets	36,979	37,870
Investment property	−32	−25
Non-current financial assets	−1,265	−1,009
Other non-current assets	−88	−151
Deferred tax assets	−1,752	−2,007
Income tax assets	−172	−197
Receivables and other current assets	−1	0
Current financial assets	−344	−174
Cash and cash equivalents	−2,978	−3,608
Segment assets	**30,347**	**30,699**
of which Corporate Center/Other	1,630	1,541
Total for reportable segments	28,917	29,337
Consolidation[1]	−200	−179

[1] Including rounding.

The following table shows the reconciliation of Deutsche Post DHL Group'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	2014	2015
Total equity and liabilities	36,979	37,870
Equity	−9,580	−11,295
Consolidated liabilities	**27,399**	**26,575**
Non-current provisions	−8,866	−7,875
Non-current liabilities	−4,910	−4,812
Current provisions	−1	−14
Current liabilities	−865	−901
Segment liabilities	**12,757**	**12,973**
of which Corporate Center/Other	1,007	992
Total for reportable segments	11,916	12,123
Consolidation[1]	−166	−142

[1] Including rounding.

INCOME STATEMENT DISCLOSURES

11 Revenue

Revenue rose by €2,600 million (4.6 %) from €56,630 million to €59,230 million. The increase was due to the following factors:

Factors affecting revenue increase

€m	2015
Organic growth	–220
Portfolio changes	0
Currency translation effects	2,820
Total	**2,600**

The terms of the procurement and logistics contract with the UK National Health Service (NHS), United Kingdom, which were revised as of the fourth quarter of 2015, led to a change in the recognition of revenue and expenses. Revenue decreased by €465 million as a result. Fuel surcharges also declined.

As in the prior period, there was no revenue in financial year 2015 that was generated on the basis of barter transactions.

The further classification of revenue by division and the allocation of revenue to geographical regions are presented in the segment reporting.

12 Other operating income

€m	2014	2015
Gains on disposal of non-current assets	64	338
Income from currency translation differences	171	280
Reversals of impairment losses on receivables and other assets	97	217
Income from the reversal of provisions	308	215
Insurance income	168	184
Income from fees and reimbursements	159	145
Income from work performed and capitalised	128	122
Commission income	126	112
Rental and lease income	124	111
Income from the derecognition of liabilities	53	81
Income from the remeasurement of liabilities	126	76
Income from derivatives	68	33
Income from prior-period billings	38	30
Income from loss compensation	28	25
Subsidies	11	14
Recoveries on receivables previously written off	9	10
Miscellaneous	338	401
Other operating income	**2,016**	**2,394**

Of the gains on the disposal of non-current assets, €99 million relates to the sale of the shares held in Sinotrans Ltd., China, and €74 million to the sale of shares in UK companies King's Cross Central Property Trust and King's Cross Central General Partner Ltd.

The increase in income from currency translation is largely due to the change in the exchange rate for the euro.

In the course of the exit from the US domestic Express business in 2009, impairment losses had been recognised on non-current assets. Following the reorientation of the business and the successful conclusion of the Express strategy 2010–2015, the assets were again tested for impairment, resulting in the reversal of impairment losses in the amount of €90 million.

Income from the reversal of provisions in financial year 2015 relates, amongst other things, to a reduction in a provision for HR-related risks and the reassessment of the probability that a tax obligation in Asia would occur, see also Note 49. The latter fell to a level that allowed the relevant provision to be reversed. In the previous year, the main factor influencing income from the reversal of provisions was a change in the estimated settlement payment obligations assumed in the context of the restructuring measures in the USA, Note 49.

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.

13 Materials expense

€m	2014	2015
Cost of raw materials, consumables and supplies, and of goods purchased and held for resale		
Goods purchased and held for resale	2,052	1,761
Aircraft fuel	1,338	1,047
Fuel	817	755
Packaging material	354	421
Spare parts and repair materials	96	110
Office supplies	62	60
Other expenses	112	136
	4,831	4,290
Cost of purchased services		
Transportation costs	18,814	19,754
Cost of temporary staff and services	2,124	2,521
Expenses from non-cancellable leases	1,845	2,096
Maintenance costs	1,016	1,117
IT services	617	612
Commissions paid	462	557
Expenses from cancellable leases	478	493
Other lease expenses (incidental expenses)	265	393
Other purchased services	1,590	1,337
	27,211	28,880
Materials expense	**32,042**	**33,170**

The reduction in goods purchased and held for resale is largely attributable to the revised terms of the procurement and logistics contract with the UK National Health Service (NHS), United Kingdom.

The increase in materials expense is primarily due to currency effects. This affected transportation costs in particular.

Provisions of €37 million were recognised in relation to the write-down of the NFE programme. They relate to unavoidable expenses from ongoing contracts where the obligations exceed the economic benefits. The provisions were reversed in the amount of €11 million in the fourth quarter, based on agreements with the implementation partner. The associated income was recognised in other operating expenses.

Other expenses include a large number of individual items.

14 Staff costs/employees

€m	2014	2015
Wages, salaries and compensation	14,583	15,723
of which expenses under Share Matching Scheme[1]	82	99
of which expenses under Performance Share Plan[2]	3	10
of which expenses under 2006 SAR Plan/LTIP[3]	105	33
Social security contributions	2,164	2,300
Retirement benefit expenses	965	1,031
Expenses for other employee benefits	477	586
Staff costs	**18,189**	**19,640**

[1] Equity-settled and cash-settled.
[2] Equity-settled.
[3] Cash-settled.

The rise in staff costs is primarily attributable to exchange rate movements. The increase in employee numbers and salary adjustments also had an impact on staff costs.

Assuming that rights to shares are converted in full in the respective subsequent year, a maximum of €72 million of the expenses under the Share Matching Scheme in the reporting year (previous year: €55 million) is attributable to cash-settled share-based payments. The obligation at the balance sheet date was €56 million (previous year: €55 million). In addition, as in the previous year, expenses of €27 million were incurred for equity-settled share-based payments.

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 the service cost related to the defined benefit retirement plans. Detailed information can be found in Note 42. These expenses also include contributions to defined contribution retirement plans for civil servants in Germany in the amount of €516 million (previous year: €531 million), as well as for the Group's hourly workers and salaried employees – particularly in the UK, the USA and the Netherlands – in the amount of €317 million (previous year: €276 million).

The average number of Group employees in the year under review, broken down by employee group, was as follows:

Employees (annual average)

Headcount	2014	2015
Hourly workers and salaried employees	440,973	451,882
Civil servants	37,963	35,669
Trainees	5,089	5,314
Employees	**484,025**	**492,865**

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 2015 amounted to 450,508 (previous year: 443,784). The number of employees at joint operations included in the consolidated financial statements amounted to 208 on a proportionate basis (previous year: 202).

15 Depreciation, amortisation and impairment losses

€m	2014	2015
Amortisation of and impairment losses on intangible assets, excluding impairment of goodwill	271	578
Depreciation of and impairment losses on property, plant and equipment		
Land and buildings (including leasehold improvements)	174	179
Technical equipment and machinery	235	268
Other equipment, operating and office equipment	204	219
Vehicle fleet, transport equipment	216	233
Aircraft	281	187
	1,110	1,086
	1,381	1,664
Depreciation of and impairment losses on investment property	0	1
Impairment of goodwill	0	0
Depreciation, amortisation and impairment losses	**1,381**	**1,665**

Depreciation, amortisation and impairment losses increased by €284 million year-on-year to €1,665 million. This was attributable to the impairment losses on the NFE transformation programme.

Depreciation, amortisation and impairment losses include impairment losses of €335 million (previous year: €120 million) that are attributable to the segments as follows:

Impairment losses

€m	2014	2015
Post - eCommerce - Parcel		
Software	5	0
Property, plant and equipment	0	1
Express		
Property, plant and equipment	107	13
Global Forwarding, Freight		
Software	0	310
Supply Chain		
Software	0	3
Property, plant and equipment	1	4
Corporate Center/Other		
Software	5	0
Property, plant and equipment	2	3
Investment property	0	1
Impairment losses	**120**	**335**

€310 million of the impairment losses relates to the NFE transformation programme. Of the impairment losses in the Corporate Center/Other area, €3 million mainly relates to land and buildings. As in the previous year, the impairment losses in the Express segment resulted mostly from aircraft and aircraft parts.

16 Other operating expenses

€m	2014	2015
Expenses for advertising and public relations	391	429
Cost of purchased cleaning and security services	319	357
Travel and training costs	334	348
Insurance costs	268	335
Write-downs of current assets	249	302
Currency translation expenses	170	267
Warranty expenses, refunds and compensation payments	245	266
Telecommunication costs	223	237
Other business taxes	219	231
Office supplies	178	190
Consulting costs (including tax advice)	170	179
Entertainment and corporate hospitality expenses	151	169
Services provided by the *Bundesanstalt für Post und Telekommunikation* (German federal post and telecommunications agency)	100	148
Expenses from derivatives	48	120
Customs clearance-related charges	88	114
Legal costs	61	107
Contributions and fees	87	95
Voluntary social benefits	80	83
Commissions paid	66	64
Monetary transaction costs	42	47
Losses on disposal of assets	56	46
Audit costs	32	38
Donations	21	24
Expenses from prior-period billings	24	14
Miscellaneous	452	530
Other operating expenses	**4,074**	**4,740**

Taxes other than income taxes are either recognised in the related expense item or, if no specific allocation is possible, in other operating expenses.

Miscellaneous other operating expenses include a large number of smaller individual items.

17 Net income from investments accounted for using the equity method

€m	2014	2015
Net income from associates	5	2
Net income from joint ventures	0	0
Net income from investments accounted for using the equity method	**5**	**2**

18 Net finance costs

€m	2014	2015
Financial income		
Interest income	43	46
Income from other equity investments and financial assets	2	4
Other financial income	29	44
	74	**94**
Finance costs		
Interest expenses	–358	–335
of which unwinding of discounts for net pension provisions and other provisions	–221	–189
Other finance costs	–65	–75
	–423	**–410**
Foreign currency result	**–39**	**–38**
Net finance costs	**–388**	**–354**

The €34 million change in net finance costs to €354 million is primarily due to the decrease in interest cost added back to provisions.

Net finance costs include interest income of €46 million (previous year: €43 million) as well as interest expenses of €335 million (previous year: €358 million). These result from financial assets and liabilities that were not measured at fair value through profit or loss.

Information on the unwinding of discounted net pension provisions can be found in Note 42.6.

19 Income taxes

€m	2014	2015
Current income tax expense	–604	–625
Current recoverable income tax	56	63
	–548	**–562**
Deferred tax income (previous year: expense) from temporary differences	–53	75
Deferred tax income from tax loss carryforwards	201	149
	148	**224**
Income taxes	**–400**	**–338**

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	2014	2015
Profit before income taxes	**2,577**	**2,057**
Expected income taxes	–778	–621
Deferred tax assets not recognised for initial differences	13	–5
Deferred tax assets of German Group companies not recognised for tax loss carryforwards and temporary differences	346	349
Deferred tax assets of foreign Group companies not recognised for tax loss carryforwards and temporary differences	59	90
Effect of current taxes from previous years	4	–10
Tax-exempt income and non-deductible expenses	–117	–204
Differences in tax rates at foreign companies	73	63
Income taxes	**–400**	**–338**

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 related 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 €334 million as at 31 December 2015 (previous year: €319 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.

€252 million (previous year: €123 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 tax assets previously not recognised for tax loss carryforwards and of deductible temporary differences from a prior period reduced the deferred tax expense by €267 million (previous year: €317 million). Effects from unrecognised deferred tax assets amounting to €29 million (previous year: €4 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.

In financial year 2015, a change in the tax rate had no effect on German Group companies. 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 €10 million (tax expense) (previous year: income of €4 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
2015			
Change due to remeasurements of net pension provisions	833	–65	768
IFRS 3 revaluation reserve	0	0	0
IAS 39 revaluation reserve	–110	7	–103
IAS 39 hedging reserve	–18	5	–13
Currency translation reserve	472	0	472
Other changes in retained earnings	0	0	0
Share of other comprehensive income of investments accounted for using the equity method	5	0	5
Other comprehensive income	**1,182**	**–53**	**1,129**
2014			
Change due to remeasurements of net pension provisions	–2,350	285	–2,065
IFRS 3 revaluation reserve	–2	0	–2
IAS 39 revaluation reserve	112	–10	102
IAS 39 hedging reserve	–92	27	–65
Currency translation reserve	454	0	454
Other changes in retained earnings	2	0	2
Share of other comprehensive income of investments accounted for using the equity method	4	0	4
Other comprehensive income	**–1,872**	**302**	**–1,570**

20 Consolidated net profit for the period

In financial year 2015, the Group generated consolidated net profit for the period of €1,719 million (previous year: €2,177 million). Of this figure, €1,540 million (previous year: €2,071 million) was attributable to Deutsche Post AG shareholders.

21 Non-controlling interests

The net profit attributable to non-controlling interests increased by €73 million from €106 million to €179 million.

22 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 2015 were €1.27 (previous year: €1.71).

Basic earnings per share

		2014	2015
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,071	1,540
Weighted average number of shares outstanding	number	1,209,507,913	1,210,620,132
Basic earnings per share	€	**1.71**	**1.27**

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 Performance Share Plan and Share Matching Scheme share-based payment systems (as at 31 December 2015: 5,423,718 shares; previous year: 6,745,501 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 in the reporting period were €1.22 (previous year: €1.64).

Diluted earnings per share

		2014	2015
Consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,071	1,540
Plus interest expense on the convertible bond	€m	6	6
Less income taxes	€m	1	1
Adjusted consolidated net profit for the period attributable to Deutsche Post AG shareholders	€m	2,076	1,545
Weighted average number of shares outstanding	number	1,209,507,913	1,210,620,132
Potentially dilutive shares	number	53,243,204	51,901,142
Weighted average number of shares for diluted earnings	number	1,262,751,117	1,262,521,274
Diluted earnings per share	€	**1.64**	**1.22**

23 Dividend per share

A dividend per share of €0.85 is being proposed for financial year 2015. Based on the 1,212,753,687 shares recorded in the commercial register as at 31 December 2015, this corresponds to a dividend distribution of €1,031 million. In the previous year the dividend amounted to €0.85 per share. Further details on the dividend distribution can be found in Note 40.

BALANCE SHEET DISCLOSURES

24 Intangible assets

24.1 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 2014	**1,113**	**490**	**908**	**1,479**	**11,770**	**222**	**15,982**
Additions from business combinations	1	0	0	0	2	0	**3**
Additions	18	0	0	70	0	212	**300**
Reclassifications	48	19	0	12	0	−39	**40**
Disposals	−30	0	0	−53	−2	−4	**−89**
Currency translation differences	1	35	67	26	477	1	**607**
Balance at 31 December 2014/1 January 2015	**1,151**	**544**	**975**	**1,534**	**12,247**	**392**	**16,843**
Additions from business combinations	0	0	0	0	0	0	**0**
Additions	26	0	0	63	0	135	**224**
Reclassifications	73	0	0	84	0	−126	**31**
Disposals	−12	0	0	−69	−4	−311	**−396**
Currency translation differences	2	35	64	22	461	0	**584**
Balance at 31 December 2015	**1,240**	**579**	**1,039**	**1,634**	**12,704**	**90**	**17,286**
Amortisation and impairment losses							
Balance at 1 January 2014	**893**	**447**	**592**	**1,121**	**1,097**	**0**	**4,150**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	87	0	54	120	0	0	**261**
Impairment losses	10	0	0	0	0	0	**10**
Reclassifications	12	0	0	−13	0	2	**1**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	−24	0	0	−43	0	0	**−67**
Currency translation differences	1	31	44	19	41	0	**136**
Balance at 31 December 2014/1 January 2015	**979**	**478**	**690**	**1,204**	**1,138**	**2**	**4,491**
Additions from business combinations	0	0	0	0	0	0	**0**
Amortisation	80	0	53	131	0	0	**264**
Impairment losses	3	0	0	3	0	308	**314**
Reclassifications	2	0	0	0	0	−2	**0**
Reversals of impairment losses	−1	0	0	0	0	0	**−1**
Disposals	−11	0	0	−66	−1	−308	**−386**
Currency translation differences	1	30	44	17	22	0	**114**
Balance at 31 December 2015	**1,053**	**508**	**787**	**1,289**	**1,159**	**0**	**4,796**
Carrying amount at 31 December 2015	**187**	**71**	**252**	**345**	**11,545**	**90**	**12,490**
Carrying amount at 31 December 2014	**172**	**66**	**285**	**330**	**11,109**	**390**	**12,352**

Of the total impairment losses of €310 million recognised for the NFE transformation program, €308 million relates to assets under development. This figure includes capitalised borrowing costs of €10 million.

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.

24.2 Allocation of goodwill to CGUs

€m	2014	2015
Total goodwill	**11,109**	**11,545**
Post - eCommerce - Parcel	**906**	**934**
Express	**3,918**	**3,939**
Global Forwarding, Freight		
DHL Global Forwarding	3,919	4,163
DHL Freight	275	277
Supply Chain	**2,091**	**2,232**
DHL Supply Chain	1,645	n. a.
Williams Lea	446	n. a.

The structure of the Supply Chain CGU was changed compared with the previous year. Since they are no longer separately managed by top management, the DHL Supply Chain and Williams Lea CGUs were combined in accordance with IAS 36. For reasons of comparability, the prior-year figure was restated on a pro-forma basis.

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/amortisation 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 2016 to 2018. It is supplemented by a perpetual annuity representing the value added from 2019 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	
	2014	2015	2014	2015
Supply Chain	**n. a.**	**9.0**	**n. a.**	**2.5**
DHL Supply Chain	8.4	n. a.	2.5	n. a.
Williams Lea	7.8	n. a.	2.0	n. a.
Global Forwarding, Freight				
DHL Freight	8.6	9.1	2.0	2.0
DHL Global Forwarding	8.3	8.9	2.5	2.5
Post - eCommerce - Parcel	**8.3**	**8.1**	**0.5**	**0.5**
Express	**9.3**	**8.3**	**2.0**	**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 2015.

When performing the impairment test, Deutsche Post DHL Group conducted sensitivity analyses as required by IAS 36.134. These analyses – which included varying the essential valuation parameters within an appropriate range – did not reveal any risk of impairment to goodwill.

25 Property, plant and equipment

25.1 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 2014	**4,569**	**4,059**	**2,487**	**2,143**	**2,158**	**338**	**15,754**
Additions from business combinations	0	1	1	0	0	0	**2**
Additions	138	100	155	35	358	790	**1,576**
Reclassifications	51	361	−30	116	52	−589	**−39**
Disposals	−172	−206	−200	−465	−261	−17	**−1,321**
Currency translation differences	90	88	61	24	19	11	**293**
Balance at 31 December 2014/1 January 2015	**4,676**	**4,403**	**2,474**	**1,853**	**2,326**	**533**	**16,265**
Additions from business combinations	0	0	0	0	0	0	**0**
Additions	124	114	196	54	179	1,133	**1,800**
Reclassifications	92	415	89	129	33	−792	**−34**
Disposals	−404	−143	−233	−132	−153	−16	**−1,081**
Currency translation differences	76	68	36	20	15	16	**231**
Balance at 31 December 2015	**4,564**	**4,857**	**2,562**	**1,924**	**2,400**	**874**	**17,181**
Depreciation and impairment losses							
Balance at 1 January 2014	**2,198**	**2,789**	**1,922**	**964**	**1,080**	**1**	**8,954**
Additions from business combinations	0	0	0	0	0	0	**0**
Depreciation	171	235	203	175	216	0	**1,000**
Impairment losses	3	0	1	106	0	0	**110**
Reclassifications	1	49	−50	0	0	0	**0**
Reversals of impairment losses	0	0	0	0	0	0	**0**
Disposals	−106	−190	−192	−446	−229	0	**−1,163**
Currency translation differences	58	59	48	10	12	0	**187**
Balance at 31 December 2014/1 January 2015	**2,325**	**2,942**	**1,932**	**809**	**1,079**	**1**	**9,088**
Additions from business combinations	0	0	0	0	0	0	**0**
Depreciation	175	264	219	175	233	0	**1,066**
Impairment losses	4	4	0	12	0	0	**20**
Reclassifications	−4	−1	1	0	1	−1	**−4**
Reversals of impairment losses	−59	−30	−1	0	0	0	**−90**
Disposals	−233	−126	−221	−124	−130	0	**−834**
Currency translation differences	50	46	29	8	7	0	**140**
Balance at 31 December 2015	**2,258**	**3,099**	**1,959**	**880**	**1,190**	**0**	**9,386**
Carrying amount at 31 December 2015	**2,306**	**1,758**	**603**	**1,044**	**1,210**	**874**	**7,795**
Carrying amount at 31 December 2014	**2,351**	**1,461**	**542**	**1,044**	**1,247**	**532**	**7,177**

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.

25.2 Finance leases

The following assets are carried as non-current assets resulting from finance leases:

€m	2014	2015
Land and buildings	142	137
Technical equipment and machinery	2	2
Other equipment, operating and office equipment	12	24
Aircraft	84	0
Vehicle fleet and transport equipment	2	1
Finance leases	**242**	**164**

The aircraft leases were cancelled and the aircraft returned to the leasing partner. These aircraft were subsequently repurchased at their carrying amount. Information on the corresponding liabilities can be found under financial liabilities, Note 44.2.

26 Investment property

The investment property largely comprises leased property encumbered by heritable building rights, and developed and undeveloped land.

€m	2014	2015
Cost		
At 1 January	43	42
Additions	7	0
Reclassifications	–1	4
Disposals	–8	–8
Currency translation differences	1	1
At 31 December	**42**	**39**
Depreciation		
At 1 January	10	10
Additions	0	0
Impairment losses	0	1
Disposals	0	0
Reclassifications	0	3
Currency translation differences	0	0
At 31 December	**10**	**14**
Carrying amount at 31 December	**32**	**25**

Rental income for investment property amounted to €2 million (previous year: €3 million), whilst the related expenses were €1 million (previous year: €1 million). The fair value amounted to €58 million (previous year: €65 million).

27 Investments accounted for using the equity method

Investments accounted for using the equity method changed as follows:

€m	Associates		Joint ventures		Total	
	2014	2015	2014	2015	2014	2015
Balance at 1 January	62	69	6	6	**68**	**75**
Disposals	–2	0	0	–3	**–2**	**–3**
Impairment losses	0	0	0	–2	**0**	**–2**
Changes in Group's share of equity						
Changes recognised in profit or loss	5	2	0	0	**5**	**2**
Profit distributions	0	–1	0	0	**0**	**–1**
Changes recognised in other comprehensive income	4	5	0	0	**4**	**5**
Balance at 31 December	**69**	**75**	**6**	**1**	**75**	**76**

The complete list of investments in associates and joint ventures can be found in the list of the Group's shareholdings in accordance with section 313(2) nos. 1 to 4 and section 313(3) of the HGB which can be accessed online at www.dpdhl.com/en/investors.html.

27.1 Investments in associates

The following table gives an aggregated overview of the carrying amount in the consolidated financial statements and selected financial data (based on the interest held) for those associates which, both individually and in the aggregate, are not of material significance for the Group.

Aggregate financial data for associates

€m	2014	2015
Carrying amount in the consolidated financial statements	69	75
Profit/loss before income taxes	4	3
Profit/loss after income taxes	3	2
Other comprehensive income	4	5
Total comprehensive income	7	7

27.2 Joint ventures

The following table presents in aggregated form the carrying amount and selected financial data of all interests in all joint ventures which, both individually and in the aggregate, are immaterial. The figures represent the Group's interests.

The Group plans to sell Güll GmbH, Germany, and Presse-Service Güll GmbH, Switzerland, which are both accounted for using the equity method. The Group holds 51% of the shares of each joint venture. The companies were reclassified as assets held for sale and liabilities associated with assets held for sale in the amount of €3 million. The most recent measurement prior to reclassification led to an impairment loss of €2 million.

Aggregate financial data for joint ventures

€m	2014	2015
Carrying amount in the consolidated financial statements	6	1
Profit/loss before income taxes	0	1
Profit/loss after income taxes	0	0
Other comprehensive income	0	0
Total comprehensive income	0	0

28 Financial assets

€m	Non-current		Current		Total	
	2014	2015	2014	2015	2014	2015
Available-for-sale financial assets	288	119	208	27	**496**	**146**
of which measured at fair value	264	108	208	27	**472**	**135**
Loans and receivables	834	806	61	105	**895**	**911**
Assets at fair value through profit or loss	192	138	75	42	**267**	**180**
Lease receivables	49	50	7	5	**56**	**55**
Financial assets	**1,363**	**1,113**	**351**	**179**	**1,714**	**1,292**

The change in financial assets is primarily attributable to the sale of the shares held in the King's Cross companies and in Sinotrans.

Write-downs of non-current financial assets at fair value through profit or loss amounting to €17 million (previous year: €8 million) were recognised in the income statement, whilst a write-up in the same amount was recognised for liabilities at fair value through profit or loss.

Compared with the market rates of interest prevailing at 31 December 2015 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 €8 million (previous year: €12 million). The principal amount of these loans totals €8 million (previous year: €13 million).

Details on restraints on disposal are contained in Note 48.2.

29 Other assets

29.1 Overview

€m	2014	2015
Other non-current assets	151	221
Other current assets	2,415	2,172
Other assets	**2,566**	**2,393**

29.2 Breakdown of other assets

€m	2014	2015
Prepaid expenses	687	630
Current tax receivables	541	477
Pension assets, non-current only	88	151
Receivables from private postal agencies	147	126
Income from cost absorption	87	99
Creditors with debit balances	48	40
Receivables from insurance business	40	38
Receivables from loss compensation (recourse claims)	36	30
Receivables from employees	27	27
Receivables from cash-on-delivery	4	5
Receivables from sale of assets	6	0
Other assets, of which non-current: 70 (previous year: 63).	855	770
Other assets	**2,566**	**2,393**

Information on pension assets can be found in Note 42.

Of the tax receivables, €356 million (previous year: €396 million) relates to VAT, €72 million (previous year: €101 million) to customs and duties, and €49 million (previous year: €44 million) to other tax receivables. Miscellaneous other assets include a large number of individual items.

30 Deferred taxes

30.1 Overview

€m	2014	2015
Deferred tax assets	1,752	2,007
Deferred tax liabilities	84	142

30.2 Breakdown by balance sheet item

€m	2014		2015	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	62	156	52	156
Property, plant and equipment	117	52	119	71
Non-current financial assets	0	70	1	22
Other non-current assets	36	42	76	8
Other current assets	39	26	37	31
Provisions	649	36	640	62
Financial liabilities	4	51	2	46
Other liabilities	154	8	137	9
Tax loss carryforwards	1,048	–	1,206	–
Gross amount	**2,109**	**441**	**2,270**	**405**
Netting	–357	–357	–263	–263
Carrying amount	**1,752**	**84**	**2,007**	**142**

€1,101 million (previous year: €948 million) of the deferred taxes on tax loss carryforwards relates to tax loss carryforwards in Germany and €105 million (previous year: €100 million) to foreign tax loss carryforwards.

No deferred tax assets were recognised for tax loss carryforwards of around €10.0 billion (previous year: €10.2 billion) and for temporary differences of around €4,132 million (previous year: €5,082 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 in Germany 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 2023.

Deferred taxes have not been recognised for temporary differences of €802 million (previous year: €726 million) relating to earnings of German and foreign subsidiaries because these temporary differences will probably not reverse in the foreseeable future.

30.3 Maturity structure

€m	Short-term	Long-term	Netting	Total
2015				
Deferred tax assets	665	1,605	−263	2,007
Deferred tax liabilities	98	307	−263	142
2014				
Deferred tax assets	308	1,801	−357	1,752
Deferred tax liabilities	106	335	−357	84

31 Inventories

€m	2014	2015
Raw materials, consumables and supplies	233	137
Finished goods and goods purchased and held for resale	69	65
Work in progress	28	66
Advance payments	2	13
Inventories	**332**	**281**

There was no requirement to charge significant valuation allowances on these inventories.

32 Trade receivables

€m	2014	2015
Trade receivables	7,227	7,049
Deferred revenue	596	636
Receivables from Group companies	2	9
Trade receivables	**7,825**	**7,694**

33 Income tax assets and liabilities

All income tax assets and liabilities are current and have maturities of less than one year.

34 Cash and cash equivalents

€m	2014	2015
Cash equivalents	1,686	2,353
Bank balances/cash in transit	1,226	1,182
Cash	22	20
Other cash and cash equivalents	44	53
Cash and cash equivalents	**2,978**	**3,608**

Of the €3,608 million in cash and cash equivalents, €838 million was not available for general use by the Group as at the balance sheet date (previous year: €770 million). Of this amount, €766 million (previous year: €680 million) was attributable to countries where exchange controls or other legal restrictions apply (mostly China, India and Thailand) and €72 million primarily to companies with non-controlling interest holders (previous year: €90 million).

35 Assets held for sale and liabilities associated with assets held for sale

The amounts reported in this item mainly relate to the following items:

€m	Assets		Liabilities	
	2014	2015	2014	2015
Exel Inc., USA – real estate (Supply Chain segment)	4	6	0	0
nugg.ad GmbH, Germany – equity interest (PeP segment)	0	3	0	2
Güll GmbH, Germany, and Presse-Service Güll GmbH, Switzerland – equity interests (PeP segment)	0	3	0	0
Other	0	0	0	0
Assets held for sale and liabilities associated with assets held for sale	**4**	**12**	**0**	**2**

EXEL INC.

The company plans to sell properties. All properties recognised as at 31 December 2014 were sold over the course of the year. A piece of land recognised as investment property was reclassified as held for sale. The most recent appraisal of the assets prior to reclassification did not indicate any impairment, as in the previous year.

NUGG.AD GMBH

Deutsche Post DHL Group has sold all of its shares in e-commerce company nugg.ad GmbH (formerly nugg.ad AG predictive behavioral targeting), Germany, to Zalando Media Solution GmbH. The transfer of the shares is still subject to antitrust approval. The transaction is expected to be completed in the first quarter of 2016. The assets and liabilities have been reclassified as assets held for sale and liabilities associated with assets held for sale in accordance with IFRS 5. The most recent measurement prior to reclassification did not indicate any impairment.

nugg.ad GmbH

€m

	31 Dec. 2015
Non-current assets	0
Current assets	2
Cash and cash equivalents	1
ASSETS	3
Non-current provisions and liabilities	0
Current provisions and liabilities	2
EQUITY AND LIABILITIES	2

The sale was completed in late January 2016.

GÜLL GROUP

The Group plans to sell Güll GmbH, Germany, and Presse-Service Güll GmbH, Switzerland, which are both accounted for using the equity method. The Group holds 51% of the shares of each joint venture. The investments were reclassified as assets held for sale in the amount of €3 million. The most recent measurement prior to reclassification led to an impairment loss of €2 million.

OTHER

The aircraft sales planned by various companies are reported under Other. As part of early fleet renewal activities, the number of legacy aircraft is to be reduced. DHL Aviation (Netherlands) B.V., the Netherlands, European Air Transport Leipzig GmbH, Germany, and DHL International GmbH, Germany, report 15 aircraft as available for sale. Prior to reclassification as assets held for sale, an impairment loss of €12 million was recognised on the aircraft reclassified during the financial year. In the previous year, the impairment loss of €102 million related solely to the available-for-sale aircraft of DHL Aviation (Netherlands) B.V.

36 Issued capital and purchase of treasury shares

As at 31 December 2015, KfW Bankengruppe (KfW) held a 20.9% (previous year: 21.0%) interest in the share capital of Deutsche Post AG. The remaining 79.1% (previous year: 79.0%) of the shares were in free float. KfW holds the shares in trust for the Federal Republic of Germany.

36.1 Changes in issued capital

The issued capital amounts to €1,213 million. It is composed of 1,212,753,687 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 and treasury shares

€

	2014	2015
Issued capital		
Balance at 1 January	1,209,015,874	1,211,180,262
Addition due to capital increase	2,164,388	1,568,593
Addition due to contingent capital increase (convertible bond)	0	4,832
Balance at 31 December (according to commercial register)	**1,211,180,262**	**1,212,753,687**
Treasury shares		
Balance at 1 January	0	–1,507,473
Treasury shares acquired	–3,158,717	–2,628,575
Treasury shares sold	0	14,992
Treasury shares issued	1,651,244	2,552,463
Balance at 31 December	**–1,507,473**	**–1,568,593**
Total at 31 December	**1,209,672,789**	**1,211,185,094**

The capital was increased in December 2015 by issuing new shares. The same number of shares was subsequently repurchased from the market. As at 31 December 2015, Deutsche Post AG held 1,568,593 treasury shares (previous year: 1,507,473 treasury shares).

36.2 Authorised and contingent capital

Authorised/contingent capital at 31 December 2015

	Amount €m	Purpose
Authorised Capital 2013	236	Increase in share capital against cash/non-cash contributions (until 28 May 2018)
Contingent Capital 2011	75	Issue of options/conversion rights (24 May 2016)
Contingent Capital 2013	75	Issue of options/conversion rights (28 May 2018)
Contingent Capital 2014	40	Issue of subscription rights to executives (26 May 2019)

Authorised Capital 2013

As resolved by the Annual General Meeting on 29 May 2013, the Board of Management is authorised, subject to the consent of the Supervisory Board, to issue up to 240 million new, no-par value registered shares until 28 May 2018 in exchange for cash and/or non-cash contributions and thereby increase the company's share capital. The authorisation may be used in full or for partial amounts. Shareholders generally have subscription rights. However, subject to the approval of the Supervisory Board, the Board of Management may disapply the shareholders' subscription rights to the shares covered by the authorisation.

Capital increases

Registered on	Number of shares
12 March 2014	656,915
11 December 2014	1,507,473
10 December 2015	1,568,593

In financial year 2015, Deutsche Post AG's Board of Management made partial use of the authorisation granted to it in accordance with article 5 (2) of the Articles of Association of Deutsche Post AG, to increase Deutsche Post AG's share capital by €1,568,593.00 by issuing 1,568,593 new no-par value registered shares with a notional interest in the share capital of €1.00 per share in exchange for cash contributions. The capital increase was entered in the commercial register on 10 December 2015. The shares participate in the consolidated net profit for 2015. Implementation of the capital increase entailed transaction costs of €0.4 million. Authorised Capital 2013, which originally amounted to €240 million, now amounts to €236 million.

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 with a proportionate interest in the share capital not to exceed €75 million.

Full use was made of the authorisation in December 2012 by issuing a €1 billion convertible bond. The share capital was increased on a contingent basis by up to €75 million. It was reduced by €4,832.00 through the issue of new shares in financial year 2015.

Contingent Capital 2013

In its resolution dated 29 May 2013, 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 €1.5 billion, on one or more occasions until 28 May 2018, thereby granting options or conversion rights for up to 75 million shares with a proportionate interest in the share capital not to exceed €75 million. The share capital was increased on a contingent basis by up to €75 million. No use was made of the authorisation in the reporting year.

Contingent Capital 2014

In its resolution dated 27 May 2014, the Annual General Meeting authorised the Board of Management to contingently increase the share capital by up to €40 million through the issue of up to 40 million new no-par value registered shares. The contingent capital increase serves to grant subscription rights to selected Group executives. The subscription rights may only be issued based on the aforementioned Annual General Meeting resolution of 27 May 2014. The contingent capital increase will only be implemented to the extent that shares are issued based on the subscription rights granted and the company does not settle the subscription rights by cash payment or delivery of treasury shares. The new shares participate in profit from the beginning of the financial year in which they are issued. The share capital was increased on a contingent basis by up to €40 million. No use was made of the authorisation in the reporting year.

36.3 Authorisation to acquire treasury shares

By way of a resolution adopted by the Annual General Meeting on 27 May 2014, the company is authorised to acquire treasury shares in the period to 26 May 2019 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.

Treasury shares acquired on the basis of the authorisation, with shareholders' subscription rights disapplied, may continue to be used for the purposes of listing on a stock exchange outside Germany. In addition, the Board of Management remains authorised to acquire treasury shares using derivatives.

Deutsche Post AG acquired treasury shares for the total amount of €31 million (average price of €29.42 per share) in order to settle the 2014 tranche of the Share Matching Scheme.

The company increased its share capital in 2014 to settle claims to matching shares under the 2010 tranche. The treasury shares were issued to the executives concerned in April 2015.

In addition, a further 7,155 shares were acquired at a price of €26.86 to settle claims to matching shares and issued to persons who have since left the Group.

To settle the 2011 tranche of the Share Matching Scheme due in 2016, treasury shares were purchased for a total price of €39 million (average price of €24.80 per share) in December 2015.

As at 31 December 2015, Deutsche Post AG held 1,568,593 treasury shares.

36.4 Disclosures on corporate capital

The equity ratio was 29.8% in financial year 2015 (previous year: 25.9%). 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.

Corporate capital

€m	2014	2015
Total financial liabilities	5,080	5,018
Less cash and cash equivalents	–2,978	–3,608
Less current financial assets	–351	–179
Less long-term deposits	–60	0
Less non-current derivative financial instruments	–192	–138
Net debt	**1,499**	**1,093**
Plus total equity	9,580	11,295
Total capital	**11,079**	**12,388**
Net gearing ratio (%)	13.5	8.8

37 Capital reserves

An amount of €94 million was transferred to the capital reserves in financial year 2015 (previous year: €101 million).

€m	2014	2015
At 1 January	2,269	2,339
Addition/issue of rights under Share Matching Scheme		
2009 tranche	1	0
2010 tranche	4	1
2011 tranche	4	4
2012 tranche	4	3
2013 tranche	21	4
2014 tranche	10	27
2015 tranche	0	8
Total additions	44	47
Exercise of rights under Share Matching Scheme		
2009 tranche – matching shares	–8	0
2010 tranche – matching shares	0	–20
2013 tranche – investment and incentive shares	–23	0
2014 tranche – investment and incentive shares	0	–28
Total exercised	–31	–48
Total for Share Matching Scheme	**13**	**–1**
Addition/issue of rights under Performance Share Plan		
2014 tranche	3	8
2015 tranche	0	2
Total for Performance Share Plan	**3**	**10**
Capital increases	54	37
Capital reserves at 31 December	**2,339**	**2,385**

The exercise of the rights to shares under the 2010 and 2014 tranches reduced the capital reserves by €48 million (previous year: €31 million for the 2009 and 2013 tranches) due to the issuance of treasury shares in this amount to the executives.

38 Other reserves

€m	2014	2015
IFRS 3 revaluation reserve	0	0
IAS 39 revaluation reserve	170	67
IAS 39 hedging reserve	–28	–41
Currency translation reserve	–483	–15
Other reserves	**–341**	**11**

38.1 IFRS 3 revaluation reserve

The IFRS 3 revaluation reserve included the hidden reserves of DHL Logistics Co. Ltd., China, from purchase price allocation. These were attributable to the customer relationships contained in the 50% interest held previously and to adjustments to deferred taxes.

38.2 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 their value is significantly or permanently impaired.

€m	2014	2015
At 1 January	77	190
Currency translation differences	6	8
Comprehensive income		
Changes from unrealised gains and losses	107	54
Changes from realised gains and losses	0	–172
IAS 39 revaluation reserve at 31 December before tax	**190**	**80**
Deferred taxes	–20	–13
IAS 39 revaluation reserve at 31 December after tax	**170**	**67**

The change resulted from the sale of shares in the King's Cross companies in the UK and in Sinotrans Ltd., China.

38.3 IAS 39 hedging reserve

The hedging reserve is adjusted by the effective portion of a cash flow hedge. The hedging reserve is reversed to profit or loss when the hedged item is settled.

€m	2014	2015
At 1 January	59	–33
Currency translation differences	0	0
Comprehensive income		
Changes from unrealised gains and losses	–73	–120
Changes from realised gains and losses	–19	102
IAS 39 hedging reserve at 31 December before tax	**–33**	**–51**
Deferred taxes	5	10
IAS 39 hedging reserve at 31 December after tax	**–28**	**–41**

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, realised losses of €137 million and realised gains of €35 million were recognised in other comprehensive income (previous year: realised losses of €51 million and realised gains of €70 million).

38.4 Currency translation reserve

€m	2014	2015
At 1 January	–924	–483
Transactions with non-controlling interests	0	0
Comprehensive income		
Changes from unrealised gains and losses	441	468
Changes from realised gains and losses	0	0
Currency translation reserve at 31 December	**–483**	**–15**

39 Retained earnings

As well as the undistributed consolidated net profits generated in prior periods, retained earnings also contain the effects from transactions with non-controlling interests.

€m	2014	2015
At 1 January	7,183	6,168
Dividend payment	–968	–1,030
Consolidated net profit for the period	2,071	1,540
Change due to remeasurements of net pension provisions	–2,061	773
Transactions with non-controlling interests	–6	–3
Miscellaneous other changes	–51	–21
Retained earnings at 31 December	**6,168**	**7,427**

The dividend payment to Deutsche Post AG shareholders of €1,030 million was made in May 2015. This corresponds to a dividend of €0.85 per share.

Information on the change due to remeasurements of net pension provisions before tax can be found in Note 42.6.

The changes in transactions with non-controlling interests without change of control are presented in the following table.

Transactions with non-controlling interests

€m	2014			2015		
	Currency translation reserve	Retained earnings	Total	Currency translation reserve	Retained earnings	Total
Giorgio Gori Group, Italy	0	16	16	0	0	0
Blue Dart Express Limited, India	0	–10	–10	0	1	1
DHL Korea Limited, Korea	0	0	0	0	–5	–5
Other	0	–12	–12	0	1	1
Total	**0**	**–6**	**–6**	**0**	**–3**	**–3**

40 Equity attributable to Deutsche Post AG shareholders

The equity attributable to Deutsche Post AG shareholders in financial year 2015 amounted to €11,034 million (previous year: €9,376 million).

Dividends

Dividends paid to the shareholders of Deutsche Post AG are based on the net retained profit of €5,022 million reported in Deutsche Post AG's annual financial statements in accordance with the HGB. The amount of €3,991 million remaining after deduction of the planned total dividend of €1,031 million (which corresponds to €0.85 per share) will be carried forward.

	Total dividend €m	Dividend per share €
Dividend distributed in financial year 2015 for the year 2014	1,030	0.85
Dividend distributed in financial year 2014 for the year 2013	968	0.80

As the dividend is paid in full from the tax-specific capital contribution account (*steuerliches Einlagekonto* as defined by section 27 of the *Körperschaftssteuergesetz* (KStG – German Corporation Tax Act)) (contributions not made to subscribed capital), payment will be made without the deduction of capital gains tax or the solidarity surcharge. The dividend is tax exempt for shareholders resident in Germany. It does not entitle recipients to a tax refund or a tax credit. In terms of taxation, the dividend distribution is considered as a repayment of contributions from the capital contribution account and – in the opinion of the tax authorities – serves to reduce the cost of acquiring the shares.

41 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 following table shows the companies to which the material non-controlling interests relate:

€m	2014	2015
DHL Sinotrans International Air Courier Ltd., China	143	176
Blue Dart Express Limited, India	8	12
Exel Saudia LLC, Saudi Arabia	6	9
Other companies	47	64
Non-controlling interests	**204**	**261**

Material non-controlling interests exist in the following two companies:

DHL Sinotrans International Air Courier Ltd., China, which has been assigned to the Express segment, provides domestic and international express delivery and transport services. Deutsche Post DHL Group holds a 50% share in the company. Blue Dart Express Limited (Blue Dart), India, is a courier service provider which has been assigned to the PeP segment. Deutsche Post AG holds a share of 75% in Blue Dart.

The following table gives an overview of the aggregated financial data of significant companies with non-controlling interests:

Financial data for material non-controlling interests

€m	Sinotrans		Blue Dart	
	2014	2015	2014	2015
Balance sheet				
ASSETS				
Non-current assets	124	170	76	79
Current assets	365	388	69	93
Total ASSETS	**489**	**558**	**145**	**172**
EQUITY AND LIABILITIES				
Non-current provisions and liabilities	8	9	47	50
Current provisions and liabilities	194	198	49	58
Total EQUITY AND LIABILITIES	**202**	**207**	**96**	**108**
Net assets	**287**	**351**	**49**	**64**
Non-controlling interests	143	176	8	12
Income statement				
Revenue	1,163	1,364	272	349
Profit before income taxes	260	362	23	36
Income taxes	66	84	19	15
Profit/loss after income taxes	**194**	**278**	**4**	**21**
Other comprehensive income	19	10	9	1
Total comprehensive income	**213**	**288**	**13**	**22**
attributable to non-controlling interests	106	144	3	6
Dividend distributed to non-controlling interests	78	112	14	2
Consolidated net profit attributable to non-controlling interests	97	139	1	5
Cash flow statement				
Net cash from operating activities	109	301	2	35
Net cash used in/from investing activities	–15	–21	14	–18
Net cash used in financing activities	–156	–225	–14	–15
Net change in cash and cash equivalents	–62	55	2	2
Cash and cash equivalents at 1 January	173	145	4	6
Effect of changes in exchange rates on cash and cash equivalents	34	4	0	–1
Cash and cash equivalents at 31 December	**145**	**204**	**6**	**7**

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	2014	2015
Balance at 1 January	–11	6
Transactions with non-controlling interests	0	0
Comprehensive income		
Changes from unrealised gains and losses	17	9
Changes from realised gains and losses	0	0
Currency translation reserve at 31 December	**6**	**15**

42 Provisions for pensions and similar obligations

The Group's most significant defined benefit retirement plans are in Germany and the UK.

In Germany, Deutsche Post AG has occupational retirement arrangements dating back to 1997 based on a collective agreement, which are open to new hourly workers and salaried employees. These arrangements are based on fixed benefit amounts and provide for monthly payments as from the statutory retirement age, depending on length of service and the wage/salary level achieved. Annual increases in the fixed amounts during the service period and in the pension payments are linked to agreed percentages, i.e. 1.45% for active hourly workers and salaried employees and 1.00% for retirees. The plan also provides for invalidity benefits and surviving dependents' benefits. Retirement arrangements with a similar structure are available to executives below the management board level and to specific employee groups through deferred compensation.

The large majority of Deutsche Post AG's obligations relates to the vested entitlements of hourly workers and salaried employees on the transition date in 1997 and to legacy pension commitments towards former hourly workers and salaried employees who had left or retired from the company by the transition date. The amounts individually determined for the vested entitlements of the active hourly workers and salaried employees are subject to an annual rate of increase of 1.45%.

Deutsche Post AG's overall pension plan is based on the *Betriebsrentengesetz* (BetrAVG – German Occupational Pension Act), in addition to collective agreements and other relevant documents. The prime source of external funding is a contractual trust arrangement that also covers a support fund and a pension fund. The trust is funded on a case-by-case basis in line with the Group's finance strategy and the support fund on an ongoing basis in line with tax law options. In the case of the pension fund the regulatory funding requirements can, in principle, be met without additional employer contributions. The support fund's governing bodies include both Deutsche Post AG employees and former employees. Part of the plan assets consists of real estate that is leased out to the Group on a long-term basis. In addition, some of the legacy pension commitments use *Versorgungsanstalt der Deutschen Bundespost* (VAP), a joint pension fund operated by the Deutsche Bundespost successor companies.

Individual subsidiaries in Germany have retirement plans that were acquired in the context of acquisitions and transfers of operations and that are closed to new entrants. New contractual trust arrangements were agreed and implemented for three subsidiaries in the reporting year.

In the UK, the Group's defined benefit pension arrangements have largely been closed to new entrants for a number of years. In addition, Deutsche Post DHL Group committed itself to a change in its pension strategy in the UK on 26 November 2013, and these arrangements are now also largely closed for further service accrual, with effect from 1 April 2014. The employees affected have been able to participate in a defined contribution arrangement since 1 April 2014.

Currently, one single defined benefit pension arrangement of the Group in the UK remains open to existing employees, who have not yet chosen to join, or to new employees as a result of a business transfer from the UK government. It provides for monthly payments from retirement, depending on length of service and final salary. In addition, a pension commencement lump sum is payable. Annual increases in pension payments are linked to inflation. This arrangement also includes invalidity benefits and surviving dependents' benefits.

The majority of the Group's (defined benefit) arrangements in the UK have been consolidated into a group plan with different sections for the participating divisions. These are largely funded via a group trust. The amount of the employer contributions must be negotiated with the trustee in the course of funding valuations. The trustee's directors are Group employees, former employees and non-Group third parties, all of whom are required to be independent. Employee beneficiaries make their own funding contributions in the case of the remaining open defined benefit arrangement. The group plan is mainly governed by the corresponding trust deed and rules and the UK Pensions Acts.

A wide variety of other defined benefit retirement plans in the Group are to be found in the Netherlands, Switzerland, the USA and a large number of other countries.

In the Netherlands, collective agreements require that those employees who are not covered by a sector-specific plan participate in a dedicated defined benefit retirement plan. Following a change in the plan in the previous year, the benefit plan is no longer based on final salary, but exclusively provides for annual accruals from 1 January 2015. In addition, a new pensionable salary cap is applied in accordance with the relevant Dutch laws. Consequently, negative past service cost had to be recognised in the previous year. The dedicated defined benefit retirement plan provides for monthly benefit payments that increase in line with the agreed wage and salary increases on the one hand and the funds available for such increases on the other.

In Switzerland, employees receive an occupational pension in line with statutory requirements, depending on the contributions paid, an interest rate that is fixed each year, certain annuity factors and any pension increases specified. On 9 December 2014, a change in the plan was resolved which led to a change, from 1 January 2015, in the annuity factors in particular. Consequently, negative past service cost was recognised in the previous year. A separate plan providing for lump sum payments instead of annuities exists for specific higher wage components.

In the USA, the companies' defined benefit plans have been closed to new entrants and accrued entitlements have been frozen.

The Group companies primarily use joint funding institutions to fund their dedicated defined benefit retirement plans in these three countries. In the Netherlands and in Switzerland, both employers and employees contribute to plan funding. In the USA no contributions are currently made in this regard.

Various risks arise in the context of defined benefit retirement plans. Of these risks, the interest rate risk and investment risk in particular are still deemed to be significant.

The information below on pension obligations is broken down into the following areas: Germany, UK and Other.

42.1 Calculation of the balance sheet items

The balance sheet items were calculated as follows:

€m	Germany	UK	Other	Total
2015				
Present value of defined benefit obligations at 31 December	9,628	5,166	2,478	**17,272**
Fair value of plan assets at 31 December	–4,363	–4,774	–2,065	**–11,202**
Surplus (–)/deficit (+) at 31 December	**5,265**	**392**	**413**	**6,070**
Effects of asset ceilings at 31 December	0	0	0	**0**
Net pension provisions at 31 December	**5,265**	**392**	**413**	**6,070**
Reported separately				
Pension assets at 31 December	0	48	103	**151**
Provisions for pensions and similar obligations at 31 December	5,265	440	516	**6,221**
2014				
Present value of defined benefit obligations at 31 December	10,453	5,247	2,399	**18,099**
Fair value of plan assets at 31 December	–4,228	–4,750	–1,986	**–10,964**
Surplus (–)/deficit (+) at 31 December	**6,225**	**497**	**413**	**7,135**
Effects of asset ceilings at 31 December	0	1	2	**3**
Net pension provisions at 31 December	**6,225**	**498**	**415**	**7,138**
Reported separately				
Pension assets at 31 December	0	3	85	**88**
Provisions for pensions and similar obligations at 31 December	6,225	501	500	**7,226**

In the Other area, the Netherlands, Switzerland and the USA account for a share in the corresponding present value of the defined benefit obligations of 40%, 24% and 14%, respectively (previous year: 43%, 22% and 13%).

Additionally, rights to reimbursement from former Group companies existed in the Group in Germany in the amount of around €18 million (previous year: €17 million) which are reported separately. Corresponding benefit payments are being made directly by the former Group companies.

42.2 Present value of defined benefit obligations

The present value of defined benefit obligations changed as follows:

€m	Germany	UK	Other	Total
2015				
Present value of defined benefit obligations at 1 January	10,453	5,247	2,399	**18,099**
Current service cost, excluding employee contributions	141	8	44	**193**
Interest cost on defined benefit obligations	233	194	58	**485**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	0	–136	0	**–136**
Actuarial gains (–)/losses (+) – changes in financial assumptions	–759	–224	–43	**–1,026**
Actuarial gains (–)/losses (+) – experience adjustments	26	–11	–1	**14**
Past service cost	6	0	–4	**2**
Settlement gains (–)/losses (+)	0	–7	0	**–7**
Employee contributions	12	1	17	**30**
Benefit payments	–484	–211	–93	**–788**
Settlement payments	0	0	–2	**–2**
Transfers	0	0	0	**0**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	305	103	**408**
Present value of defined benefit obligations at 31 December	**9,628**	**5,166**	**2,478**	**17,272**
2014				
Present value of defined benefit obligations at 1 January	8,438	4,395	1,963	**14,796**
Current service cost, excluding employee contributions	110	14	39	**163**
Interest cost on defined benefit obligations	312	202	69	**583**
Actuarial gains (–)/losses (+) – changes in demographic assumptions	0	–88	15	**–73**
Actuarial gains (–)/losses (+) – changes in financial assumptions	2,057	627	375	**3,059**
Actuarial gains (–)/losses (+) – experience adjustments	–12	–26	–5	**–43**
Past service cost	6	0	–20	**–14**
Settlement gains (–)/losses (+)	0	0	0	**0**
Employee contributions	11	4	15	**30**
Benefit payments	–469	–189	–94	**–752**
Settlement payments	0	0	0	**0**
Transfers	0	0	1	**1**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	308	41	**349**
Present value of defined benefit obligations at 31 December	**10,453**	**5,247**	**2,399**	**18,099**

The significant financial assumptions are as follows:

%	Germany	UK	Other	Total
31 December 2015				
Discount rate (defined benefit obligations)	2.75	3.75	2.53	**3.02**
Expected annual rate of future salary increase	2.50	3.00	2.00	**2.42**
Expected annual rate of future pension increase	2.00	2.65	1.06	**2.10**
31 December 2014				
Discount rate (defined benefit obligations)	2.25	3.50	2.33	**2.62**
Expected annual rate of future salary increase	2.50	3.00	2.05	**2.43**
Expected annual rate of future pension increase	2.00	2.59	0.92	**2.07**

Determination of the discount rates was refined as of the beginning of 2015. Firstly, separate discount rates were introduced in principle for calculating the present value of the defined benefit obligations and the current service cost. This reflects any differences in the maturities of these parameters, where applicable. Secondly, generation of the yield curve for the euro zone, which is based on the yields of AA-rated corporate bonds, was enhanced. This led to minor changes in extrapolation. Furthermore, the derivation of the discount rates for the UK shifted to take the duration into account. Currently, this allows for a better coverage of the relevant maturities. The first two changes did not have any significant overall impact on Deutsche Post DHL Group as at 31 December 2015. The third change led to a 0.25% increase in the discount rate for calculating the present value of defined benefit obligations in the UK as at 31 December 2015, reducing the present value of the Group's defined benefit obligations by around €220 million and lifting other comprehensive income (before tax) by the same amount – in contrast, this would not have had any impact as at 31 December 2014, and no significant overall impact is expected with regard to service cost and net interest cost in 2016.

No further change was made to the determination of the discount rates. In the euro zone, their derivation (from the above-mentioned yield curve) used plan composition weights and in the UK, they were based on the yields of AA-rated corporate bonds as before (and took the above-mentioned duration into account). For other countries, the discount rates were determined in a similar way to that in the euro zone or the UK, provided there was a deep market for AA-rated (or, in some cases, AA and AAA-rated) corporate bonds. By contrast, government bond yields were used for countries without a deep market for such corporate bonds.

For the annual pension increase in Germany, agreed rates in particular must be taken into account in addition to the assumptions shown. The effective weighted average therefore amounts to 1.00% (previous year: 1.00%).

The most significant demographic assumptions made relate to life expectancy and mortality. For the German Group companies, they were calculated using the Richttafeln 2005 G mortality tables published by Klaus Heubeck. Life expectancy for the retirement plans in the UK was based on the S1PMA/S1PFA tables of the Continuous Mortality Investigation of the Institute and Faculty of Actuaries adjusted to reflect plan-specific mortality according to the current funding valuation. Other countries used their own, current standard mortality tables.

If one of the significant financial assumptions were to change, the present value of the defined benefit obligations would change as follows:

%	Change in assumption	Change in present value of defined benefit obligations			
		Germany	UK	Other	Total
31 December 2015					
Discount rate (defined benefit obligations)	+1.00	−13.25	−14.78	−14.22	**−13.85**
	−1.00	17.06	19.27	18.40	**17.91**
Expected annual rate of future salary increase	+0.50	0.17	0.07	1.01	**0.26**
	−0.50	−0.16	−0.07	−0.97	**−0.25**
Expected annual rate of future pension increase	+0.50	0.40	5.79	6.08	**2.82**
	−0.50	−0.36	−5.48	−4.19	**−2.44**
31 December 2014					
Discount rate (defined benefit obligations)	+1.00	−13.57	−16.06	−14.43	**−14.40**
	−1.00	17.85	19.78	18.75	**18.53**
Expected annual rate of future salary increase	+0.50	0.18	0.11	1.17	**0.29**
	−0.50	−0.17	−0.10	−1.10	**−0.27**
Expected annual rate of future pension increase	+0.50	0.41	5.07	6.13	**2.51**
	−0.50	−0.37	−3.18	−4.37	**−1.71**

These are effective weighted changes in the respective present value of the defined benefit obligations, e.g. taking into account the largely fixed nature of the pension increase for Germany.

A one-year increase in life expectancy for a 65-year-old beneficiary would increase the present value of the defined benefit obligations by 4.56% in Germany (previous year: 4.64%) and by 4.07% in the UK (previous year: 3.80%). The corresponding increase for other countries would be 2.62% (previous year: 2.08%), for a total increase of 4.14% (previous year: 4.06%).

When determining the sensitivity disclosures, the present values were calculated using the same methodology used to calculate the present values at the reporting date. The presentation does not take into account interdependencies between the assumptions; rather, it supposes that the assumptions change in isolation. This would be unusual in practice, since assumptions are often correlated.

The weighted average duration of the Group's defined benefit obligations at 31 December 2015 was 15.4 years in Germany (previous year: 15.9 years) and 16.7 years in the UK (previous year: 18.2 years). In the other countries it was 17.2 years (previous year: 16.8 years), and in total it was 16.0 years (previous year: 16.7 years).

A total of 29.6% (previous year: 30.8%) of the present value of the defined benefit obligations was attributable to active beneficiaries, 16.8% (previous year: 16.8%) to terminated beneficiaries and 53.6% (previous year: 52.4%) to retirees.

42.3 Fair value of plan assets

The fair value of the plan assets changed as follows:

€m	Germany	UK	Other	Total
2015				
Fair value of plan assets at 1 January	4,228	4,750	1,986	**10,964**
Interest income on plan assets	96	176	45	**317**
Return on plan assets excluding interest income	–9	–295	–14	**–318**
Other administration costs in accordance with IAS 19.130	0	–6	–4	**–10**
Employer contributions	391	72	34	**497**
Employee contributions	0	1	17	**18**
Benefit payments	–343	–212	–83	**–638**
Settlement payments	0	0	–3	**–3**
Transfers	0	0	0	**0**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	288	87	**375**
Fair value of plan assets at 31 December	**4,363**	**4,774**	**2,065**	**11,202**
2014				
Fair value of plan assets at 1 January	4,119	4,034	1,752	**9,905**
Interest income on plan assets	153	186	60	**399**
Return on plan assets excluding interest income	45	369	177	**591**
Other administration costs in accordance with IAS 19.130	0	–6	–3	**–9**
Employer contributions	194	69	27	**290**
Employee contributions	0	4	15	**19**
Benefit payments	–278	–189	–84	**–551**
Settlement payments	0	0	0	**0**
Transfers	–5	0	1	**–4**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	283	41	**324**
Fair value of plan assets at 31 December	**4,228**	**4,750**	**1,986**	**10,964**

The fair value of the plan assets can be broken down as follows:

€m	Germany	UK	Other	Total
31 December 2015				
Equities	753	968	728	**2,449**
Fixed income securities	1,461	3,091	833	**5,385**
Real estate	1,322	199	240	**1,761**
Alternatives	236	462	44	**742**
Insurances	570	0	110	**680**
Cash	14	39	35	**88**
Other	7	15	75	**97**
Fair value of plan assets	**4,363**	**4,774**	**2,065**	**11,202**
31 December 2014				
Equities	785	1,000	694	**2,479**
Fixed income securities	1,402	3,072	845	**5,319**
Real estate	1,121	175	203	**1,499**
Alternatives	299	449	39	**787**
Insurances	576	0	108	**684**
Cash	42	40	19	**101**
Other	3	14	78	**95**
Fair value of plan assets	**4,228**	**4,750**	**1,986**	**10,964**

Quoted market prices in an active market exist for around 79% (previous year: 81%) of the total fair values of plan assets. Most of the remaining assets for which no such quoted market prices exist are attributable as follows: 14% (previous year: 12%) to real estate, 6% (previous year: 6%) to insurances and 1% (previous year: 1%) to alternatives. The majority of the investments on the active markets are globally diversified, with country-specific focus areas.

Real estate with a fair value of €1,305 million (previous year: €1,106 million) is used by Deutsche Post AG itself. Otherwise, as in the previous year, no plan assets were used by the Group and no transferable own financial instruments were held as plan assets.

Asset-liability studies are performed at regular intervals in Germany, the UK and, amongst other places, the Netherlands, Switzerland and the USA to examine the match between assets and liabilities; the strategic allocation of plan assets is adjusted in line with this.

42.4 Effect of asset ceilings

In the UK and Switzerland, the plan rules for one retirement plan in each case required a surplus to be capped to a certain extent in the previous year, so as to reach the level of the present value of the future economic benefits (asset ceiling). These ceilings no longer applied at 31 December 2015 as legal clarification had been obtained and/or the obligation had increased. Disclosures on the prior-year amounts can be found in the table under Note 42.1.

42.5 Net pension provisions

Net pension provisions changed as follows:

€m	Germany	UK	Other	Total
2015				
Net pension provisions at 1 January	6,225	498	415	**7,138**
Service cost[1]	147	7	44	**198**
Net interest cost	137	18	13	**168**
Remeasurements	–724	–77	–32	**–833**
Employer contributions	–391	–72	–34	**–497**
Employee contributions	12	0	0	**12**
Benefit payments	–141	1	–10	**–150**
Settlement payments	0	0	1	**1**
Transfers	0	0	0	**0**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	17	16	**33**
Net pension provisions at 31 December	**5,265**	**392**	**413**	**6,070**
2014				
Net pension provisions at 1 January	4,319	362	215	**4,896**
Service cost[1]	116	20	22	**158**
Net interest cost	159	16	9	**184**
Remeasurements	2,000	144	206	**2,350**
Employer contributions	–194	–69	–27	**–290**
Employee contributions	11	0	0	**11**
Benefit payments	–191	0	–10	**–201**
Settlement payments	0	0	0	**0**
Transfers	5	0	0	**5**
Acquisitions/divestitures	0	0	0	**0**
Currency translation effects	0	25	0	**25**
Net pension provisions at 31 December	**6,225**	**498**	**415**	**7,138**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

Payments amounting to €438 million are expected with regard to net pension provisions in 2016. Of this amount, €193 million is attributable to the Group's expected direct benefit payments and €245 million to expected employer contributions to pension funds.

42.6 Cost components of defined benefit retirement plans

The cost components of defined benefit retirement plans are as follows:

€m	Germany	UK	Other	Total
2015				
Current service cost, excluding employee contributions	141	8	44	193
Past service cost	6	0	–4	2
Settlement gains (–)/losses (+)	0	–7	0	–7
Other administration costs in accordance with IAS 19.130	0	6	4	10
Service cost[1]	**147**	**7**	**44**	**198**
Interest cost on defined benefit obligations	233	194	58	485
Interest income on plan assets	–96	–176	–45	–317
Interest on the effects of asset ceilings	0	0	0	0
Net interest cost	**137**	**18**	**13**	**168**
Actuarial gains (–)/losses (+) – total	–733	–371	–44	–1,148
Return on plan assets excluding interest income	9	295	14	318
Change in effect of asset ceilings excluding interest	0	–1	–2	–3
Remeasurements	**–724**	**–77**	**–32**	**–833**
Cost of defined benefit retirement plans	**–440**	**–52**	**25**	**–467**
2014				
Current service cost, excluding employee contributions	110	14	39	163
Past service cost	6	0	–20	–14
Settlement gains (–)/losses (+)	0	0	0	0
Other administration costs in accordance with IAS 19.130	0	6	3	9
Service cost[1]	**116**	**20**	**22**	**158**
Interest cost on defined benefit obligations	312	202	69	583
Interest income on plan assets	–153	–186	–60	–399
Interest on the effects of asset ceilings	0	0	0	0
Net interest cost	**159**	**16**	**9**	**184**
Actuarial gains (–)/losses (+) – total	2,045	513	385	2,943
Return on plan assets excluding interest income	–45	–369	–177	–591
Change in effect of asset ceilings excluding interest	0	0	–2	–2
Remeasurements	**2,000**	**144**	**206**	**2,350**
Cost of defined benefit retirement plans	**2,275**	**180**	**237**	**2,692**

[1] Including other administration costs in accordance with IAS 19.130 from plan assets.

€198 million of the cost of defined benefit retirement plans (previous year: €158 million) related to staff costs, €168 million (previous year: €184 million) to net finance costs and €–833 million (previous year: €2,350 million) to other comprehensive income.

42.7 Risk

A number of risks that are material to the company and the plans exist in relation to the defined benefit retirement plans. Opportunities for risk mitigation are used in line with the specifics of the plans concerned.

INTEREST RATE RISK

A decrease (increase) in the respective discount rate would lead to an increase (decrease) in the present value of the total obligation and would in principle be accompanied by an increase (decrease) in the fair value of the fixed income securities contained in the plan assets. Other hedges are made, in some cases using derivatives.

INFLATION RISK

Pension obligations – especially final salary schemes or schemes involving increases during the pension payment phase – can be linked directly or indirectly to inflation. The risk of increasing inflation rates with regard to the present value of the defined benefit obligations has been mitigated in the case of Germany, for example, by switching to an arrangement involving fixed benefit amounts and in the case of the UK by largely closing the defined benefit arrangements as well as by setting fixed rates of increase and/or by partially capping increases or partially providing for lump sum payments. Additionally, there is a positive correlation with interest rates.

INVESTMENT RISK

The investment is in principle subject to a large number of risks; in particular, it is exposed to the risk that market prices may change. This is managed primarily by ensuring broad diversification and using risk overlays.

LONGEVITY RISK

Longevity risk may arise in connection with the benefits payable in the future due to a future increase in life expectancy. This is mitigated in particular by using current standard mortality tables when calculating the present value of the defined benefit obligations. The mortality tables used in Germany and the UK, for example, include an allowance for expected future increases in life expectancy.

43 Other provisions

Other provisions break down into the following main types of provision:

€m	Non-current		Current		Total	
	2014	2015	2014	2015	2014	2015
Other employee benefits	705	567	278	262	983	829
Restructuring provisions	93	98	209	246	302	344
Technical reserves (insurance)	435	454	211	215	646	669
Postage stamps	0	0	350	252	350	252
Tax provisions	0	0	98	73	98	73
Miscellaneous provisions	323	393	399	438	722	831
Other provisions	**1,556**	**1,512**	**1,545**	**1,486**	**3,101**	**2,998**

43.1 Changes in other provisions

€m	Other employee benefits	Restructuring provisions	Technical reserves (insurance)	Postage stamps	Tax provisions	Miscellaneous provisions	Total
At 1 January 2015	983	302	646	350	98	722	**3,101**
Changes in consolidated group	0	0	0	0	0	0	**0**
Utilisation	−487	−154	−79	−350	−41	−271	**−1,382**
Currency translation differences	41	29	15	0	5	0	**90**
Reversal	−20	−31	−39	0	−32	−93	**−215**
Unwinding of discount/changes in discount rate	5	5	4	0	0	9	**23**
Reclassification	−4	0	0	0	0	4	**0**
Additions	311	193	122	252	43	460	**1,381**
At 31 December 2015	**829**	**344**	**669**	**252**	**73**	**831**	**2,998**

The provision for other employee benefits primarily covers workforce reduction expenses (severance payments, transitional benefits, partial retirement, etc.), stock appreciation rights (SARs) and jubilee payments.

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 rentals for idle plant, litigation risks 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 7.

The provision for postage stamps covers outstanding obligations to customers for letter and parcel deliveries from postage stamps sold but still unused by customers. It is based on external expert reports and extrapolations made on the basis of internal data. The provision is measured at the nominal value of the stamps issued.

Of the tax provisions, €28 million (previous year: €31 million) relates to VAT, €7 million (previous year: €4 million) to customs and duties, and €38 million (previous year: €63 million) to other tax provisions.

43.2 Miscellaneous provisions

The miscellaneous provisions break down as follows:

€m	2014	2015
Litigation costs	177	231
Risks from business activities	45	69
Aircraft maintenance	96	118
Miscellaneous other provisions	404	413
Miscellaneous provisions	**722**	**831**

Miscellaneous other provisions include a large number of individual items.

43.3 Maturity structure

The maturity structure of the provisions recognised in financial year 2015 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
2015							
Other employee benefits	262	171	81	58	41	216	**829**
Restructuring provisions	246	24	12	13	8	41	**344**
Technical reserves (insurance)	215	189	93	58	38	76	**669**
Postage stamps	252	0	0	0	0	0	**252**
Tax provisions	73	0	0	0	0	0	**73**
Miscellaneous provisions	438	127	36	28	43	159	**831**
Total	**1,486**	**511**	**222**	**157**	**130**	**492**	**2,998**

44 Financial liabilities

€m	Non-current		Current		Total	
	2014	2015	2014	2015	2014	2015
Bonds	4,290	4,304	0	0	**4,290**	**4,304**
Amounts due to banks	1	11	183	155	**184**	**166**
Finance lease liabilities	191	141	19	26	**210**	**167**
Liabilities to Group companies	0	0	23	26	**23**	**26**
Financial liabilities at fair value through profit or loss	12	17	133	108	**145**	**125**
Other financial liabilities	189	152	128	238	**317**	**390**
Financial liabilities	**4,683**	**4,625**	**486**	**553**	**5,169**	**5,178**

The amounts due to banks mainly comprise current overdraft facilities due to various banks.

The amounts reported under financial liabilities at fair value through profit or loss relate to the negative fair values of derivative financial instruments.

44.1 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.

Significant bonds

	Nominal coupon %	Issue volume	Issuer	2014 Carrying amount €m	2014 Fair value €m	2015 Carrying amount €m	2015 Fair value €m
Bond 2012/2017	1.875	€750 million	Deutsche Post Finance B.V.	747	780	748	769
Bond 2012/2022	2.950	€500 million	Deutsche Post Finance B.V.	496	575	497	562
Bond 2012/2020	1.875	€300 million	Deutsche Post AG	297	323	298	318
Bond 2012/2024	2.875	€700 million	Deutsche Post AG	697	806	697	786
Bond 2013/2018	1.500	€500 million	Deutsche Post AG	496	522	497	517
Bond 2013/2023	2.750	€500 million	Deutsche Post AG	495	570	496	557
Convertible bond 2012/2019[1]	0.600	€1 billion	Deutsche Post AG	942	1,006	954	1,004

[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 €1,318 million at the balance sheet date (previous year: €1,384 million).

The €1 billion convertible bond issued on 6 December 2012 has a conversion right, which allows holders to convert the bond into a predetermined number of Deutsche Post AG shares if Deutsche Post AG's share price more than temporarily exceeds 130% of the conversion price applicable at that time. The conversion right may be exercised between 16 January 2013 and 21 November 2019.

Conversion price

€	
Conversion price on issue	20.74
Conversion price after adjustment in 2014[1]	20.69
Conversion price after adjustment in 2015[2]	20.63

[1] Adjustment after payment of a dividend of €0.80 per share.
[2] Adjustment after payment of a dividend of €0.85 per share.

In addition, Deutsche Post AG was granted a call option allowing it to repay the bond early at face value 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. For contractual reasons, the convertible bond was split into a debt component and an equity component. The equity instrument in the amount of €74 million is reported under capital reserves. The value of the debt component on the issue date calculated in accordance with IFRS 32.31 amounted to €920 million, including transaction costs and the call option granted. Transaction costs of €0.5 million and €5.8 million are included in the aforementioned amounts. In subsequent years, interest will be added to the carrying amount of the bond, up to the issue amount, using the effective interest method and recognised in profit or loss.

44.2 Finance lease liabilities

Finance lease liabilities mainly relate to the following items:

	Leasing partner	Interest rate %	End of term	Asset	2014 €m	2015 €m
Deutsche Post Immobilien GmbH, Germany	Various leasing partners	4.75	2023/2028	Real estate	109	103
DHL Express (Austria) GmbH, Austria	Raiffeisen Impuls Immobilien GmbH	3.62	2019	Real estate	10	9
Deutsche Post AG, Germany	T-Systems International GmbH	4.25	2019	IT equipment	5	17
Deutsche Post Immobilien GmbH, Germany	Lorac Investment Management Sarl	6.00	2016	Real estate	2	1

The leased assets are recognised in property, plant and equipment at carrying amounts of €164 million (previous year: €242 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 €210 million (previous year: €256 million).

Maturity structure

€m	Present value (finance lease liabilities) 2014	2015	Minimum lease payments (notional amount) 2014	2015
Less than 1 year	19	26	26	32
More than 1 year to 5 years	109	64	131	86
More than 5 years	82	77	99	92
Total	**210**	**167**	**256**	**210**

44.3 Other financial liabilities

€m	2014	2015
Put option related to the acquisition of the remaining interest in Giorgio Gori Group	27	27
Loan notes related to the acquisition of TAG Group	60	63
Loan notes related to the early termination of a finance lease	16	18
Miscellaneous financial liabilities	214	282
Other financial liabilities	**317**	**390**

45 Other liabilities

45.1 Overview

€m	2014	2015
Other non-current liabilities	255	234
Other current liabilities	4,196	4,255
Other liabilities	**4,451**	**4,489**

45.2 Breakdown of other liabilities

€m	2014	2015
Tax liabilities	1,073	1,146
Incentive bonuses	580	653
Deferred income, of which non-current: 86 (previous year: 89)	385	376
Wages, salaries, severance payments	354	367
Compensated absences	312	322
Payables to employees and members of executive bodies	175	180
Social security liabilities	168	178
Debtors with credit balances	163	146
Liabilities from the sale of residential building loans, of which non-current: 142 (previous year: 160)	162	144
Overtime claims	88	86
COD liabilities	53	56
Accrued rentals	39	42
Liabilities from cheques issued	49	37
Other compensated absences	33	30
Insurance liabilities	41	24
Liabilities from loss compensation	10	18
Accrued insurance premiums for damages and similar liabilities	13	15
Miscellaneous other liabilities, of which non-current: 6 (previous year: 6)	753	669
Other liabilities	**4,451**	**4,489**

Of the tax liabilities, €603 million (previous year: €573 million) relates to VAT, €379 million (previous year: €340 million) to customs and duties, and €164 million (previous year: €160 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.

45.3 Maturity structure

€m	2014	2015
Less than 1 year	4,196	4,255
More than 1 year to 2 years	28	28
More than 2 years to 3 years	7	33
More than 3 years to 4 years	34	6
More than 4 years to 5 years	6	6
More than 5 years	180	161
Other liabilities	**4,451**	**4,489**

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.

46 Trade payables

Most of the trade payables have a maturity of less than one year. The reported carrying amount of trade payables corresponds to their fair value.

CASH FLOW DISCLOSURES

47 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.

Non-cash transactions were entered into in financial year 2015 which were not included in the cash flow statement in accordance with IAS 7.43 and 7.44. They related to 14 properties that were contributed to Deutsche Post Pensions-Treuhand GmbH & Co. KG. Although income was recognised as a result of the contribution, no cash or cash equivalents were received.

47.1 Net cash from 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 from operating activities rose from €3,040 million to €3,444 million in financial year 2015, despite the €554 million decline in EBIT.

The depreciation, amortisation and impairment losses contained in EBIT are non-cash effects and are therefore eliminated. They increased from €1,381 million to €1,665 million in the reporting year, primarily due to the impairment losses of €310 million recognised in relation to NFE. The gains on the disposal of non-current assets of €261 million are not included in net cash from operating activities in the cash flow statement. 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. This item includes the proceeds from the sale of the investments in Sinotrans and King's Cross, in particular.

Non-cash income and expenses, which increased EBIT by €68 million but did not lead to a cash inflow, were also adjusted. In the previous year, at €4 million non-cash income and expenses were markedly lower, due to the remeasurement of assets in particular. At €–495 million, the change in provisions declined by €203 million year-on-year, above all because restructuring provisions in the Express division had been reversed in the previous year.

The change in current assets and liabilities led to a net cash inflow of €788 million. In the previous year, the change in this item resulted in an outflow of €21 million. The reduction in receivables and other current assets in the reporting year in particular made a significant contribution to this development.

Non-cash income and expense

€m

	2014	2015
Expense from remeasurement of assets	127	60
Income from remeasurement of liabilities	–161	–140
Income from disposal of assets	0	–31
Staff costs relating to equity-settled share-based payments	30	37
Miscellaneous	0	6
Non-cash income	**–4**	**–68**

47.2 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 received from investing activities as well as cash inflows and outflows from changes in current financial assets are also included.

At €1,462 million, net cash used in investing activities was €375 million higher than in the previous year. The most significant item was the cash paid to acquire property, plant and equipment, and intangible assets, which was up €354 million on the previous year, at €2,104 million. More than one-third of the investments were attributable to the Express division and related mainly to the maintenance of the aircraft fleet and expansion of the global and regional hubs in Leipzig, Cincinnati, Singapore, Brussels and East Midlands. Proceeds from the disposal of non-current assets had an offsetting effect, increasing from €322 million to €437 million. This included the proceeds from the sale of the investments in Sinotrans and King's Cross, amongst other things.

The cash inflow from the disposal of current financial assets declined by €200 million. The purchase and sale of money market funds, in particular, had increased this item in the previous year, with a total cash inflow of €400 million. This compares with a cash inflow of €200 million in the reporting period from the sale of money market funds.

The assets acquired and liabilities assumed in the course of company acquisitions undertaken in financial years 2015 and 2014 are presented below, in accordance with IAS 7.40 d, Note 2.

€m	2014	2015
Non-current assets	3	0
Current assets (excluding cash and cash equivalents)	11	0
Non-current provisions and liabilities	0	0
Current provisions and liabilities	9	0

The following table shows the calculation of free cash flow:

Calculation of free cash flow

€m	2014	2015
Net cash from operating activities	**3,040**	**3,444**
Sale of property, plant and equipment and intangible assets	200	175
Acquisition of property, plant and equipment and intangible assets	–1,750	–2,104
Cash outflow arising from change in property, plant and equipment and intangible assets	**–1,550**	**–1,929**
Disposals of subsidiaries and other business units	4	15
Disposals of investments accounted for using the equity method and other equity investments	0	223
Acquisition of subsidiaries and other business units	–5	0
Acquisition of investments accounted for using the equity method and other equity investments	–1	0
Cash outflow/inflow arising from acquisitions/divestitures	**–2**	**238**
Interest received	45	47
Interest paid	–188	–76
Net interest paid	**–143**	**–29**
Free cash flow	**1,345**	**1,724**

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 rose from €1,345 million in the previous year to €1,724 million in 2015. This is primarily attributable to the significant increase in net cash from operating activities and cash inflows from the disposal of equity investments. Free cash flow was reduced due primarily to the increased amount of cash paid to acquire property, plant and equipment, and intangible assets.

47.3 Net cash used in financing activities

At €1,367 million, net cash used in financing activities was down by a substantial €981 million on the previous year.

The repayment of a bond in the previous year made a significant contribution of €926 million towards repayments of non-current financial liabilities in the amount of €1,030 million, compared with €33 million in 2015. The largest payment item, the dividend payment to the shareholders of Deutsche Post AG, was up €62 million on the previous year at €1,030 million.

By contrast, there was a significant decline in interest paid; in the first quarter of 2015, interest rate swaps for bonds were unwound, leading to a cash inflow. The accounting treatment of these inflows is the same as for the hedged item. For this reason, only small interest payments of €76 million are reported for the year under review (previous year: €188 million).

47.4 Cash and cash equivalents

After adjustment for currency effects and the changes in cash and cash equivalents related to assets held for sale, the cash inflows and outflows described above produced cash and cash equivalents of €3,608 million, Note 34. This represents a year-on-year increase of €630 million.

OTHER DISCLOSURES

48 Risks and financial instruments of the Group

48.1 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 Group 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. Portfolios of derivatives are regularly reconciled with the banks concerned.

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.

Information on risks and risk mitigation in relation to the Group's defined benefit retirement plans can be found in Note 42.7.

Liquidity management

The ultimate objective of liquidity management is to secure the solvency of Deutsche Post DHL Group 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 €4.2 billion (previous year: €3.8 billion) as at 31 December 2015, consisting of central financial investments amounting to €2.2 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 of financial liabilities

€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
At 31 December 2015						
Non-current financial liabilities	82	943	635	1,096	368	1,984
Other non-current liabilities	0	2	2	1	1	138
Non-current liabilities	**82**	**945**	**637**	**1,097**	**369**	**2,122**
Current financial liabilities	445					
Trade payables	7,069					
Other current liabilities	355					
Current liabilities	**7,869**					
At 31 December 2014						
Non-current financial liabilities	82	99	854	580	1,070	2,206
Other non-current liabilities	0	2	2	2	1	154
Non-current liabilities	**82**	**101**	**856**	**582**	**1,071**	**2,360**
Current financial liabilities	353					
Trade payables	6,922					
Other current liabilities	342					
Current liabilities	**7,617**					

The maturity structure of the derivative financial instruments based on cash flows is as follows:

Maturity structure of derivative financial instruments

€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
At 31 December 2015						
Derivative receivables – gross settlement						
Cash outflows	–1,527	–233	0	0	0	0
Cash inflows	1,553	234	0	0	0	0
Net settlement						
Cash inflows	11	3	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–3,012	–194	–3	–2	0	0
Cash inflows	2,939	187	3	1	0	0
Net settlement						
Cash outflows	–34	–13	0	0	0	0
At 31 December 2014						
Derivative receivables – gross settlement						
Cash outflows	–1,900	–149	–15	–17	–14	–37
Cash inflows	1,982	169	28	28	20	50
Net settlement						
Cash inflows	5	1	0	0	0	0
Derivative liabilities – gross settlement						
Cash outflows	–2,429	–259	0	0	0	0
Cash inflows	2,321	248	0	0	0	0
Net settlement						
Cash outflows	–30	–6	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).

CURRENCY RISK AND CURRENCY MANAGEMENT

The international business activities of Deutsche Post DHL Group expose it to currency risks from recognised or planned future transactions:

Balance sheet currency risks arise from the measurement and settlement of items in foreign currencies that are 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 totalled €5 million (previous year: €6 million) at the reporting date; the current 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 €3,532 million at the reporting date (previous year: €3,257 million); the fair value was €–29 million (previous year: €–35 million). 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 around 39% 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 48.3, cash flow hedges.

In total, currency forwards and currency swaps with a notional amount of €5,514 million (previous year: €5,119 million) were outstanding at the balance sheet date. The corresponding fair value was €–44 million (previous year: €–53 million). As at the reporting date, there were no currency options or cross-currency swaps.

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 2015.

Of the unrealised gains or losses from currency derivatives recognised in equity as at 31 December 2015 in accordance with IAS 39, €–20 million (previous year: €–16 million) is expected to be recognised in income in the course of 2016.

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 are 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 €5 million at the reporting date (previous year: €6 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 €77 million as at 31 December 2015 (previous year: €57 million). The total foreign currency value at risk was €76 million at the reporting date (previous year: €56 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

In March 2015, the Group took advantage of the low interest rate environment and unwound all of the interest rate swaps still outstanding at the end of 2014 with a notional volume of €1,300 million (fair value in previous year: €68 million). The unwinding of the interest rate hedges resulted in a one-time cash inflow of €76 million in the first quarter of 2015. In addition, the termination of fair value hedges led to the carrying amount of the outstanding bonds being adjusted by €65 million. There were no reportable interest rate hedging instruments as at the balance sheet date.

The proportion of financial liabilities with short-term interest lock-ins, Note 44, amounts to 11% (previous year: 35%) of the total financial liabilities as at the reporting date. The effect of potential interest rate changes on the Group's financial position 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 2015 had been 100 basis points higher, net finance costs would have increased by €3 million (previous year: increased by €9 million). A market interest rate level 100 basis points lower would have had the opposite effect. All interest rate derivatives had expired or been unwound at the reporting date. No interest rate risk with an impact on equity was determined.

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 €89 million (previous year: €53 million) with a fair value of €–29 million (previous year: €–7 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 affect the fair values of the derivatives used to hedge highly probable forecast commodity purchases (cash flow hedges) and the hedging reserve in equity. If, as at the reporting date, the commodity prices underlying the derivatives had been 10% higher than the commodity prices determined on the market, this would have increased the fair values and equity by €4 million (previous year: €3 million). A corresponding decline in commodity prices would have had the opposite effect.

In the interests of simplicity, some of the commodity price hedges are not recognised as cash flow hedges. For these derivatives, commodity price changes affect the fair values of the derivatives and, consequently, the income statement. As in the previous year, 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 €1 million. A corresponding decline in the commodity prices would have reduced the fair values of the derivatives and operating profit by €1 million.

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 2015.

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 €7,694 million (previous year: €7,825 million) are due within one year. The following table gives an overview of receivables that are past due:

Receivables that are past due

€m

	2014	2015
Carrying amount before impairment loss	8,045	7,910
Neither impaired nor due at the reporting date	5,923	5,353
Past due and not impaired at the reporting date		
Up to 30 days	750	874
31 to 60 days	591	459
61 to 90 days	270	197
91 to 120 days	109	74
121 to 150 days	43	38
151 to 180 days	24	16
More than 180 days	57	13

Trade receivables changed as follows:

Receivables

€m

	2014	2015
Gross receivables		
At 1 January	7,232	8,045
Changes	813	–135
At 31 December	**8,045**	**7,910**
Valuation allowances		
At 1 January	–210	–220
Changes	–10	4
At 31 December	**–220**	**–216**
Carrying amount at 31 December	**7,825**	**7,694**

All other financial instruments are neither past due nor impaired.

Impairment losses of €25 million (previous year: €22 million) were recognised for other assets.

48.2 Collateral

€554 million (previous year: €600 million) of collateral is recognised in non-current financial assets as at the balance sheet date. Of this amount, €358 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 51. An amount of €111 million relates primarily to liabilities in conjunction with the settlement of Deutsche Post AG's residential building loans. €85 million relates to sureties paid.

Collateral of €84 million is recognised in current financial assets (previous year: €39 million). Of this amount, €63 million concerns collateral in connection with an M & A transaction and €8 million collateral deposited for US cross-border leases (QTE leases).

48.3 Derivative financial instruments

FAIR VALUE HEDGES

The interest rate swaps designated as fair value hedges as at 31 December 2014 were unwound in the first quarter of 2015. This led to an adjustment to the carrying amount which will be amortised using the effective interest method and reduce the interest expense in net finance cost in future. An amount of €55 million resulting from the adjustment to the carrying amount had not yet been amortised as at 31 December 2015.

CASH FLOW HEDGES

The Group uses currency forwards and currency swaps to hedge the cash flow risk from future foreign currency operating revenue and expenses. The fair values of currency forwards and currency swaps amounted to €–15 million at the reporting date (previous year: €–18 million). The hedged items will have an impact on cash flow by 2017.

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 by 2017. The fair value of these cash flow hedges amounted to €–25 million (previous year: €–3 million).

48.4 Additional disclosures on the financial instruments used in the Group

The Group classifies financial instruments in line with the respective balance sheet items. Since the Group did not classify any financial instruments as held to maturity in the reporting period or in the previous financial year, this measurement category is omitted in the overview. The following table reconciles the classes to the categories given in IAS 39 and their respective fair values as at the reporting date:

Reconciliation of carrying amounts in the balance sheet at 31 December 2015

€m

	Carrying amount	Carrying amount by IAS 39 measurement category		
		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	1,113			
at cost	867	0	0	11
at fair value	246	0	128	108
Trade receivables	7,694			
at cost	7,694	0	0	0
Other current assets	2,172			
at cost	868	0	0	0
outside IFRS 7	1,304	0	0	0
Current financial assets	179			
at cost	110	0	0	0
at fair value	69	7	0	27
Cash and cash equivalents	3,608	0	0	0
Total ASSETS	**14,766**	**7**	**128**	**146**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,625			
at cost	4,608	0	0	0
at fair value	17	0	0	0
Other non-current liabilities	234			
at cost	142	0	0	0
outside IFRS 7	92	0	0	0
Current financial liabilities	553			
at cost	445	0	0	0
at fair value	108	46	0	0
Trade payables	7,069			
at cost	7,069	0	0	0
Other current liabilities	4,255			
at cost	355	0	0	0
outside IFRS 7	3,900	0	0	0
Total EQUITY AND LIABILITIES	**16,736**	**46**	**0**	**0**

[1] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in non-current financial liabilities are carried at amortised costs. Where required, the carrying amounts of the unwound interest rate swaps were adjusted. One of the Deutsche Post Finance B.V. bonds was designated as a fair value hedge as at the reporting date. A basis adjustment was recognised for the effective portion of the hedge in accordance with IAS 39. The bonds are therefore recognised neither at full fair value nor at amortised cost. The convertible bond issued by Deutsche Post AG in December 2012 had a fair value of €1,318 million as at the balance sheet date. The fair value of the debt component at the balance sheet date was €1,004 million.

			Other financial instruments outside the scope of IAS 39	Fair value of financial instruments under IFRS 7
	Loans and receivables/ other financial liabilities	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
	806	0	50	867
	0	10	0	246
	7,694	0	0	n. a.
	868	0	0	n. a.
	0	0	0	n. a.
	105	0	5	n. a.
	0	35	0	69
	3,608	0	0	n. a.
	13,081	**45**	**55**	**–**
	4,467	0	141	5,192
	0	17	0	17
	142	0	0	142
	0	0	0	n. a.
	419	0	26	n. a.
	0	62	0	108
	7,069	0	0	n. a.
	355	0	0	n. a.
	0	0	0	n. a.
	12,452	**79**	**167**	**–**

Reconciliation of carrying amounts in the balance sheet at 31 December 2014

€m

	Carrying amount	Carrying amount by IAS 39 measurement category		
		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	1,363			
at cost	907	0	0	24
at fair value	456	53	114	264
Trade receivables	7,825			
at cost	7,825	0	0	0
Other current assets	2,415			
at cost	1,048	0	0	0
outside IFRS 7	1,367	0	0	0
Current financial assets	351			
at cost	68	0	0	0
at fair value	283	37	0	208
Cash and cash equivalents	2,978	0	0	0
Total ASSETS	**14,932**	**90**	**114**	**496**
EQUITY AND LIABILITIES				
Non-current financial liabilities[1]	4,683			
at cost	4,671	0	0	0
at fair value	12	0	0	0
Other non-current liabilities	255			
at cost	160	0	0	0
outside IFRS 7	95	0	0	0
Current financial liabilities	486			
at cost	353	0	0	0
at fair value	133	75	0	0
Trade payables	6,922			
at cost	6,922	0	0	0
Other current liabilities	4,196			
at cost	390	0	0	0
outside IFRS 7	3,806	0	0	0
Total EQUITY AND LIABILITIES	**16,542**	**75**	**0**	**0**

[1] The Deutsche Post AG and Deutsche Post Finance B.V. bonds included in current and non-current financial liabilities were partly designated as hedged items in a fair value hedge and are thus subject to a basis adjustment. The bonds are 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 €1,384 million at 31 December 2014. The fair value of the debt component was €1,006 million.

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 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.

The financial assets classified as available for sale include shares in partnerships and corporations for which there is no active market in the amount of €11 million (previous year: €24 million).

Other financial instruments outside the scope of IAS 39				Fair value of financial instruments under IFRS 7
	Loans and receivables/ other financial liabilities	Derivatives designated as hedging instruments	Lease receivables/ finance lease liabilities	
	834	0	49	906
	0	25	0	456
	7,825	0	0	n. a.
	1,048	0	0	n. a.
	0	0	0	n. a.
	61	0	7	n. a.
	0	38	0	283
	2,978	0	0	n. a.
	12,746	**63**	**56**	**–**
	4,480	0	191	5,461
	0	12	0	12
	160	0	0	160
	0	0	0	n. a.
	334	0	19	n. a.
	0	58	0	133
	6,922	0	0	n. a.
	390	0	0	n. a.
	0	0	0	n. a.
	12,286	**70**	**210**	**–**

As no future cash flows can be reliably determined, the fair values cannot be determined using valuation techniques. There are no plans to sell or derecognise significant shares of the available-for-sale financial assets recognised as at 31 December 2015 in the near future.

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 financial instruments recognised at fair value and those financial instruments whose fair value is required to be disclosed; the financial instruments are presented by the level in the fair value hierarchy to which they are assigned.

The simplification option under IFRS 7.29a was exercised for cash and cash equivalents, trade receivables, other assets, trade payables and other liabilities with predominantly short maturities. Their carrying amounts as at the reporting date are approximately equivalent to their fair values. Not included are financial investments in equity instruments for which there is no quoted price in an active market and which therefore have to be measured at cost.

Financial assets and liabilities

€m

Class	Level 1[1]	Level 2[2]	Level 3[3]	Total
31 December 2015				
Financial assets				
Non-current financial assets	153	866	83	**1,102**
Current financial assets	27	42	0	**69**
Total	**180**	**908**	**83**	**1,171**
Financial liabilities				
Non-current liabilities	4,232	338	0	**4,570**
Current liabilities	0	107	0	**107**
Total	**4,232**	**445**	**0**	**4,677**
31 December 2014				
Financial assets				
Non-current financial assets	246	961	132	**1,339**
Current financial assets	208	75	0	**283**
Total	**454**	**1,036**	**132**	**1,622**
Financial liabilities				
Non-current liabilities	5,004	409	0	**5,413**
Current liabilities	0	132	1	**133**
Total	**5,004**	**541**	**1**	**5,546**

[1] Quoted prices for identical instruments in active markets.
[2] Inputs other than quoted prices that are directly or indirectly observable for instruments.
[3] Inputs not based on observable market data.

Level 1 mainly comprises equity instruments measured at fair value and debt instruments measured at amortised cost.

In addition to financial assets and financial liabilities measured at amortised cost, commodity, interest rate and currency derivatives are reported under Level 2. The fair values of the derivatives are measured on the basis of discounted expected future cash flows, taking into account forward rates for currencies, interest rates and commodities (market approach). For this purpose, price quotations observable on the market (exchange rates, interest rates and commodity prices) are imported from information platforms customary in the market into the treasury management system. The price quotations reflect actual transactions involving similar instruments on an active market. Any currency options used are measured using the Black-Scholes option pricing model. All significant inputs used to measure the derivatives are observable on the market.

Level 3 mainly comprises the fair values of equity investments and options associated with M & A transactions. These options are measured using recognised valuation models, taking plausible assumptions into account. The fair values of the derivatives depend largely on financial ratios. Financial ratios strongly influence the fair values of assets and liabilities. Increasing financial ratios lead to higher fair values, whilst decreasing financial ratios result in lower fair values.

No financial instruments were transferred between levels in financial year 2015. The following table shows the effect on net gains and losses of the financial instruments categorised within level 3 as at the reporting date:

Unobservable inputs (Level 3)

€m	2014			2015		
	Assets	Liabilities		Assets	Liabilities	
	Equity instruments	Debt instruments	Derivatives, of which equity derivatives	Equity instruments	Debt instruments	Derivatives, of which equity derivatives
At 1 January	93	0	2	132	0	1
Gains and losses (recognised in profit and loss)[1]	0	0	–1	0	0	–1
Gains and losses (recognised in OCI)[2]	45	0	0	38	0	0
Additions	0	0	0	0	0	0
Disposals	–14	0	0	–95	0	0
Currency translation effects	8	0	0	8	0	0
At 31 December	**132**	**0**	**1**	**83**	**0**	**0**

[1] Fair value losses are presented in finance costs, fair value gains in financial income.
[2] Unrealised gains and losses were recognised in the IAS 39 revaluation reserve.

The net gains and losses on financial instruments classified in accordance with the individual IAS 39 measurement categories are as follows:

Net gains and losses by measurement category

€m	2014	2015
Loans and receivables	–114	–136
Available-for-sale financial assets		
Net gains recognised in OCI	0	54
Net gains reclassified to profit or loss	0	172
Net losses recognised in profit or loss	0	–10
Financial assets and liabilities at fair value through profit or loss		
Trading	0	0
Fair value option	0	0
Other financial liabilities	1	0

The net gains and losses mainly include the effects of the fair value measurement, impairment and disposals (disposal gains/losses) of financial instruments. Dividends and interest are not taken into account for the financial instruments measured at fair value through profit or loss. 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.

Financial assets and liabilities are set off on the basis of netting agreements (master netting arrangements) only if an enforceable right of set-off exists and settlement on a net basis is intended as at the reporting date.

If the right of set-off is not enforceable in the normal course of business, the financial assets and liabilities are recognised in the balance sheet at their gross amounts as at the reporting date. The master netting arrangement creates a conditional right of set-off that can only be enforced by taking legal action.

To hedge cash flow and fair value risks, Deutsche Post AG enters into financial derivative transactions with a large number of financial services institutions. These contracts are subject to a standardised master agreement for financial derivative transactions. This agreement provides for a conditional right of set-off, resulting in the recognition of the gross amount of the financial derivative transactions at the reporting date. The conditional right of set-off is presented in the table.

Settlement processes arising from services related to postal deliveries are subject to the Universal Postal Convention and the REIMS Agreement. These agreements, particularly the settlement conditions, are binding on all public postal operators for the specified contractual arrangements. Imports and exports between the parties to the agreement during a calendar year are summarised in an annual statement of account and presented on a net basis in the final annual statement. Receivables and payables covered by the Universal Postal Convention and the REIMS Agreement are presented on a net basis at the reporting date. The tables show the receivables and payables before and after offsetting.

The following tables show the impact of netting agreements based on master netting arrangements or similar agreements on financial assets and financial liabilities as at the reporting date:

Offsetting – assets

€m				Assets and liabilities not set off in the balance sheet		
	Gross amount of assets	Gross amount of liabilities set off	Recognised net amount of assets set off	Liabilities that do not meet offsetting criteria	Collateral received	Total
Assets at 31 December 2015						
Derivative financial assets[1]	52	0	52	51	0	**1**
Trade receivables	7,850	156	7,694	0	0	**7,694**
Assets at 31 December 2014						
Derivative financial assets[1]	153	0	153	145	0	**8**
Trade receivables	7,954	129	7,825	0	0	**7,825**

[1] Excluding derivatives from M&A transactions.

Offsetting – liabilities

€m				Assets and liabilities not set off in the balance sheet		
	Gross amount of liabilities	Gross amount of assets set off	Recognised net amount of liabilities set off	Assets that do not meet offsetting criteria	Collateral provided	Total
Liabilities at 31 December 2015						
Derivative financial liabilities[1]	124	0	124	51	0	**73**
Trade payables	7,225	156	7,069	0	0	**7,069**
Liabilities at 31 December 2014						
Derivative financial liabilities[1]	145	0	145	145	0	**0**
Trade payables	7,051	129	6,922	0	0	**6,922**

[1] Excluding derivatives from M&A transactions.

49 Contingent liabilities

The Group's contingent liabilities break down as follows:

Contingent liabilities

€m	2014	2015
Guarantee obligations	89	87
Warranties	80	74
Liabilities from litigation risks	183	69
Other contingent liabilities	1,428	1,068
Total	**1,780**	**1,298**

The €482 million reduction in contingent liabilities is largely due to the remeasurement of a tax item. The other contingent liabilities include an obligation from a formal state aid investigation, Note 51, a potential obligation to make settlement payments in the USA, Note 12, and other tax-related obligations.

50 Other financial obligations

In addition to provisions, liabilities and contingent liabilities, there are other financial obligations amounting to €7,582 million (previous year: €7,155 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	2014	2015
Land and buildings	5,375	5,929
Aircraft	1,083	1,072
Transport equipment	576	472
Technical equipment and machinery	67	70
Other equipment, operating and office equipment	43	32
IT equipment	11	7
Total	**7,155**	**7,582**

The increase in lease obligations by €427 million to €7,582 million is due to currency effects, as well as the conclusion of new leases.

Maturity structure of minimum lease payments

€m	2014	2015
Less than 1 year	1,626	1,725
More than 1 year to 2 years	1,223	1,298
More than 2 years to 3 years	975	1,019
More than 3 years to 4 years	751	764
More than 4 years to 5 years	501	534
More than 5 years	2,079	2,242
Total	**7,155**	**7,582**

The present value of discounted minimum lease payments is €6,311 million (previous year: €5,827 million), based on a discount factor of 4.25% (previous year: 4.75%). Overall, rental and lease payments amounted to €2,982 million (previous year: €2,588 million), of which €2,096 million (previous year: €1,845 million) relates to non-cancellable leases. €2,596 million (previous year: €2,426 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 €140 million (previous year: €137 million).

51 Litigation

A large number of the 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* (German Postal Act). As the regulatory authority, the *Bundesnetzagentur* approves or reviews such 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 pending administrative court appeals by an association against the price approvals granted by the *Bundesnetzagentur* under the price cap procedure for 2008, 2013 and 2016 to 2018. The Federal Administrative Court decided on the appeals by the association against the price approvals granted by the *Bundesnetzagentur* under the price cap procedure for 2003, 2004 and 2005 on 5 August 2015. The Federal Administrative Court revoked the price approvals concerned in relation to the association as a customer of Deutsche Post. However, the *Bundesnetzagentur* price approvals concerned remain applicable to the general public and may no longer be contested.

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. 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. The ruling was implemented on 1 January 2013. Deutsche Post does not share the legal opinion of the *Bundesnetzagentur* and appealed the ruling.

On 25 January 2012, the European Commission issued a ruling on the formal investigation regarding state aid that it had initiated on 12 September 2007. In its review, the European Commission determined that Deutsche Post AG was not overcompensated for providing universal services between 1989 and 2007 using state resources. It also did not find fault with the guarantees issued by the German state for legacy liabilities. By contrast, in its review of funding for civil servants' pensions, the European Commission concluded that illegal state aid had, in part, been received. It found that the pension relief granted to Deutsche Post AG by the *Bundesnetzagentur* during the price approval process led to Deutsche Post AG's receiving a benefit, which it must repay to the Federal Republic of Germany; in addition, it must also be ensured that no benefits are received in the future which could be considered illegal state aid. The Commission furthermore stated that the precise amount to be repaid was to be calculated by the Federal Republic of Germany. 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 state aid decision of 25 January 2012 cannot withstand legal review and has filed an appeal with the European Court of Justice in Luxembourg. The Federal Republic of Germany has similarly appealed the decision.

To implement the state aid ruling, the federal government called upon Deutsche Post AG on 29 May 2012 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 to the Administrative Court. The appeal, however, has been suspended pending a ruling from the European Court. Deutsche Post AG made additional payments to the trustee of €19.4 million on 2 January 2013, €15.6 million on 2 January 2014, €20.2 million on 2 January 2015 and €20.1 million on 4 January 2016. Those payments were reported in the balance sheet under non-current assets; the earnings position remained unaffected.

The European Commission has not expressed its final acceptance of the calculation of the state aid to be repaid. On 17 December 2013, it initiated proceedings with the European Court of Justice against the Federal Republic of Germany to effect a higher repayment amount. In its decision on those proceedings of 6 May 2015, the European Court of Justice merely ruled that Germany must independently define the individual markets before making the calculation. It did not rule on the amount of the repayment claim.

In its ruling of 18 September 2015, the General Court of the European Union held that the decision of the European Commission dated 12 September 2007 regarding the initiation of a formal state aid investigation was null and void based upon a complaint filed by Deutsche Post AG. The legal action did not involve the substantive proceedings but rather the procedural side issue of whether the European Commission was acting within its rights in reopening the state aid proceedings in 2007. In 2007, Deutsche Post AG had filed an action against the reopening of the state aid proceedings as a precautionary measure. The substantive proceedings of the legal dispute will continue, i.e. the action brought by Deutsche Post AG against the EU state aid ruling of 25 January 2012 that is still pending before the General Court of the European Union.

If the appeals of Deutsche Post AG or the federal government against the state aid ruling are successful, the opportunity exists that the payment of €298 million and the payments of €19.4 million, €15.6 million, €20.2 million and €20.1 million made in addition – as well as the additional annual payments of around €20 million to be made in the future – will be reimbursed. Reimbursement would only affect the liquidity of Deutsche Post AG; the earnings position would remain unaffected.

Although Deutsche Post AG and the federal government are of the opinion that the state aid decision of 25 January 2012 cannot withstand legal review, it cannot be ruled out that Deutsche Post AG will ultimately be required to make a potentially higher payment, which could have an adverse effect on earnings, Note 49.

On 5 November 2012, the *Bundeskartellamt* (German federal cartel office) initiated proceedings against Deutsche Post AG on suspicion of abusive behaviour with respect to mail transport for major customers. Based upon information from Deutsche Post's competitors, the authorities suspected that the company had violated German and European antitrust law. In a decree dated 2 July 2015, the *Bundeskartellamt* determined that such violations had indeed taken place but also that Deutsche Post had discontinued them at the end of 2013. No fine was imposed. The company appealed the decision to the Higher Regional Court in Düsseldorf on 4 August 2015 and submitted a statement setting out the grounds of appeal within the prescribed period.

Since 1 July 2010, as a result of the revision of the relevant tax exemption provisions, the VAT exemption has only applied to those 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 provisions 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, Note 49.

On 30 June 2014, DHL Express France received a statement of objections from the French competition authority alleging anti-competitive conduct in the domestic express business, a business, which had been divested in June 2010. On 15 December 2015, Deutsche Post DHL Group received the decision of the French authority regarding the fuel surcharges and price fixing. The decision has been appealed by the Group. Further details cannot be given at this point in time.

In view of the ongoing or announced legal proceedings mentioned above, no details are given on their presentation in the financial statements.

52 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. All assumptions are reviewed on a quarterly basis. The staff costs are recognised pro rata in profit or loss to reflect the services rendered as consideration during the vesting period (lock-up period).

52.1 Share-based payment for executives (Share Matching Scheme)

Under the share-based payment system for executives (Share Matching Scheme), 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 (deferred 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). After a four-year lock-up period during which the executive must be employed by the Group, they again receive the same number of Deutsche Post AG shares (matching shares). Assumptions are 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 December (from financial year 2015; until 2014: 1 January) of the respective year and 1 April of the following year being the grant dates for each year's tranche. Whereas incentive shares and matching shares are classified as equity-settled share-based payments, investment shares are compound financial instruments and the debt and equity components must be measured separately. However, in accordance with IFRS 2.37, only the debt component is measured due to the provisions of the Share Matching Scheme. The investment shares are therefore treated as cash-settled share-based payments.

Share Matching Scheme

		2010 tranche	2011 tranche	2012 tranche	2013 tranche	2014 tranche	2015 tranche
Grant date of incentive shares and associated matching shares		1 Jan. 2010	1 Jan. 2011	1 Jan. 2012	1 Jan. 2013	1 Jan. 2014	1 Dec. 2015
Grant date of matching shares awarded for investment shares		1 Apr. 2011	1 Apr. 2012	1 Apr. 2013	1 Apr. 2014	1 Apr. 2015	1 Apr. 2016
Term	months	63	63	63	63	63	52
End of term		March 2015	March 2016	March 2017	March 2018	March 2019	March 2020
Share price at grant date (fair value)							
Incentive shares and associated matching shares	€	13.98	12.90	12.13	17.02	25.91	27.12
Matching shares awarded for investment shares	€	12.91	14.83	18.22	27.18	29.12	27.00[1]
Number of deferred incentive shares	thousands	638	660	479	337	332	274[2]
Number of matching shares expected							
Deferred incentive shares	thousands	n.a.	594	431	303	299	247
Investment shares	thousands	n.a.	940	709	567	596	463
Matching shares issued	thousands	1,493					

[1] Estimated provisional amount, will be determined on 1 April 2016.
[2] Expected number.

The claims to the matching shares under the 2010 tranche were settled in April 2015. In financial year 2014, the Group increased its share capital for this purpose. In addition, treasury shares were purchased to settle the 2014 tranche. A total of 2.5 million treasury shares were issued to the executives concerned to settle the two tranches.

In the 2015 consolidated financial statements, €65 million (previous year: €65 million) was recognised in capital reserves for the granting of variable remuneration components under this system, Note 37.

52.2 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 stock appreciation rights (SARS) under the 2006 LTIP. 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 invest 10% of their fixed annual remuneration (annual base salary) as a personal financial investment every year. 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.

2006 LTIP

SARS	2010 tranche	2011 tranche	2012 tranche	2013 tranche	2014 tranche	2015 tranche
Issue date	1 July 2010	1 July 2011	1 July 2012	1 Aug. 2013	1 Sept. 2014	1 Sept. 2015
Issue price (€)	12.27	12.67	13.26	20.49	24.14	25.89
Waiting period expires	30 June 2014	30 June 2015	30 June 2016	31 July 2017	31 Aug. 2018	31 Aug. 2019

Further disclosures on share-based payment for members of the Board of Management can be found in Note 53.2.

52.3 SAR Plan for executives

From July 2006 to August 2013, selected executives received annual tranches of SARs under the SAR Plan. This allowed 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 (see disclosures on the 2006 LTIP for members of the Board of Management). Due to the strong share price performance since SARs were issued in 2010, all of the related performance targets were met on expiry of the waiting period on 30 June 2014. All SARs under this tranche were therefore able to be exercised. Most executives exercised them as early as 2014. All of the performance targets for the 2011 tranche were also met on expiry of the waiting period on 30 June 2015. Consequently, all SARs granted were able to be exercised. The majority of executives exercised the SARs during the third quarter of 2015. Starting in 2014, SARs were no longer issued to executives under the SAR Plan. The Performance Share Plan (PSP) for executives replaces the SAR Plan. All earlier tranches issued under the SAR Plan remain valid.

More details on the SAR Plan tranches are shown in the following table:

SAR Plan

SARS	2010 tranche	2011 tranche	2012 tranche	2013 tranche
Issue date	1 July 2010	1 July 2011	1 July 2012	1 Aug. 2013
Issue price (€)	12.27	12.67	13.26	20.49
Waiting period expires	30 June 2014	30 June 2015	30 June 2016	31 July 2017

The fair value of the SAR Plan and the 2006 LTIP was determined using a stochastic simulation model. As a result, an expense of €33 million was recognised for financial year 2015 (previous year: €105 million).

A provision for the 2006 LTIP and the SAR Plan was recognised as at the balance sheet date in the amount of €175 million (previous year: €271 million), of which €36 million (previous year: €67 million) was attributable to the Board of Management. €15 million of the total provision (previous year: €6 million) related to rights exercisable at the reporting date.

52.4 Performance Share Plan for executives

The Annual General Meeting on 27 May 2014 resolved to introduce the Performance Share Plan (PSP) for executives. This plan replaces the former share-based payment system (SAR Plan) for executives. Whereas the SAR Plan involved cash-settled share-based payments, under the PSP shares are issued to participants at the end of the waiting period. Under the PSP, the granting of the shares at the end of the waiting period is linked to the achievement of demanding performance targets. The performance targets under the PSP are identical to the performance targets under the LTIP for members of the Board of Management.

Performance Share Units (PSUs) were issued to selected executives under the PSP for the first time on 1 September 2014. It is not planned that members of the Board of Management will participate in the PSP. The Long-Term Incentive Plan (2006 LTIP) for members of the Board of Management remains unchanged.

In the consolidated financial statements as at 31 December 2015, a total of €10 million (previous year: €3 million) has been added to capital reserves for the purposes of the plan, an equal amount was recognised in staff costs, Notes 14 and 37.

The value of the PSP is measured using actuarial methods based on option pricing models (fair value measurement).

Performance Share Plan

	2014 tranche	2015 tranche
Grant date	1 Sept. 2014	1 Sept. 2015
Exercise price	€24.14	€25.89
Waiting period expires	31 Aug. 2018	31 Aug. 2019
Risk-free interest rate	0.11%	−0.10%
Initial dividend yield of Deutsche Post shares	3.52%	3.28%
Yield volatility of Deutsche Post shares	23.46%	24.69%
Yield volatility of Dow Jones EURO STOXX 600 Index	10.81%	16.40%
Covariance of Deutsche Post shares to Dow Jones EURO STOXX 600 Index	1.74%	2.94%
Quantity		
Rights outstanding at 1 January 2015	4,476,948	0
Rights granted	0	4,223,718
Rights lapsed	207,660	9,882
Rights outstanding at 31 December 2015	4,269,288	4,213,836

Future dividends were taken into account, based on a moderate increase in dividend distributions over the respective measurement period.

The average remaining maturity of the outstanding PSUs as at 31 December 2015 was 38 months.

53 Related party disclosures

53.1 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.dpdhl.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 (Federal Republic) and other companies controlled by the Federal Republic.

The Federal Republic 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

KfW supports the Federal Republic in continuing to privatise companies such as Deutsche Post AG or Deutsche Telekom AG. In 1997, KfW, together with the Federal Republic, developed a "placeholder model" as a tool to privatise government-owned companies. Under this model, the Federal Republic 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 Republic in several stages since 1997 and executed various capital market transactions using these shares. KfW's current interest in Deutsche Post AG's share capital is 20.9%. Deutsche Post AG is thus considered to be an associate of the Federal Republic.

RELATIONSHIPS WITH 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 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. Since 1 January 2013, the BAnstPT has undertaken the tasks of the *Postbeamtenversorgungskasse* (postal civil servant pension fund). Further disclosures on the postal civil servant pension fund and the VAP can be found Notes 7 and 42. The tasks mentioned are performed on the basis of agency agreements. In 2015, Deutsche Post AG was invoiced for €104 million (previous year: €71 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 Republic 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 Republic by paying a flat fee. In 2015, this initiative resulted in 122 permanent transfers (previous year: 65) and 39 secondments with the aim of a permanent transfer in 2016 (previous year: 87).

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 2015, as in the previous year, this initiative resulted in no transfers.

RELATIONSHIPS WITH DEUTSCHE TELEKOM AG AND ITS SUBSIDIARIES

The Federal Republic holds around 32% of the shares of Deutsche Telekom AG directly and indirectly (via KfW). A control relationship exists between Deutsche Telekom AG and the Federal Republic because the Federal Republic, despite its non-controlling interest, has a secure majority at the Annual General Meeting due to its average presence there. Deutsche Telekom AG is therefore a related party of Deutsche Post AG. In financial year 2015, Deutsche Post DHL Group 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 AG.

RELATIONSHIPS WITH DEUTSCHE BAHN AG AND ITS SUBSIDIARIES

Deutsche Bahn AG is wholly owned by the Federal Republic. Owing to this control relationship, Deutsche Bahn AG is a related party to Deutsche Post AG. Deutsche Post DHL Group has various business relationships with the Deutsche Bahn Group. These mainly consist of transport service agreements.

RELATIONSHIPS WITH PENSION FUNDS

The real estate with a fair value of €1,305 million (previous year: €1,106 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 €95 million in 2015 (previous year: €69 million). The rent was always paid on time. Deutsche Post Pensions-Treuhand GmbH & Co. KG owns 100% of Deutsche Post Pensionsfonds AG. Further disclosures on pension funds can be found in Notes 7 and 42.

RELATIONSHIPS WITH UNCONSOLIDATED COMPANIES, INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD AND JOINT OPERATIONS

In addition to the consolidated subsidiaries, the Group has direct and indirect relationships with unconsolidated companies, investments accounted for using the equity method and joint operations 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 2015 with major related parties, resulting in the following items in the consolidated financial statements:

€m	2014	2015
Trade receivables	**2**	**9**
from investments accounted for using the equity method	1	5
from unconsolidated companies	1	4
Loans	**25**	**28**
to investments accounted for using the equity method	0	0
to unconsolidated companies	25	28
Receivables from in-house banking	**2**	**2**
from investments accounted for using the equity method	2	2
from unconsolidated companies	0	0
Financial liabilities	**23**	**26**
to investments accounted for using the equity method	12	15
to unconsolidated companies	11	11
Trade payables	**10**	**7**
to investments accounted for using the equity method	4	3
to unconsolidated companies	6	4
Revenue	**4**	**4**
from investments accounted for using the equity method	3	3
from unconsolidated companies	1	1
Expenses[1]	**35**	**37**
due to investments accounted for using the equity method	14	14
due to unconsolidated companies	21	23

[1] Relate to materials expense and staff costs.

Deutsche Post AG issued letters of commitment in the amount of €68 million (previous year: €79 million) for these companies. Of this amount, €63 million (previous year: €73 million) was attributable to investments accounted for using the equity method, €1 million (previous year: €2 million) to joint operations and €4 million (previous year: €4 million) to unconsolidated companies.

53.2 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 2015.

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	2014	2015
Short-term employee benefits (excluding share-based payment)	17	13
Post-employment benefits	3	3
Termination benefits	1	4
Share-based payment	30	7
Total	**51**	**27**

As well as the aforementioned benefits for their work on the Supervisory Board, the employee representatives who are on the Supervisory Board and 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 corresponding liability amounted to €31 million as at the reporting date (previous year: €34 million).

The share-based payment amount relates to the relevant expense recognised for financial years 2014 and 2015. It is itemised in the following table:

Share-based payment

Thousands of €	2014 SARS	2015 SARS
Dr Frank Appel, Chairman	6,331	1,760
Ken Allen	3,280	1,061
Jürgen Gerdes	3,523	1,109
John Gilbert	60	91
Melanie Kreis	–	35
Lawrence Rosen	3,304	1,029
Roger Crook (until 27 April 2015)	2,577	1,822
Bruce Edwards (until 10 March 2014)	6,722	–
Angela Titzrath (until 1 July 2014)	4,071	–
Share-based payment	**29,868**	**6,907**

53.3 Remuneration disclosures in accordance with the HGB

BOARD OF MANAGEMENT REMUNERATION

The total remuneration paid to the active members of the Board of Management in financial year 2015 including the components with a long-term incentive effect totalled €17.4 million (previous year: €20.9 million). Of this amount, €7.1 million (previous year: €7.6 million) is attributable to non-performance-related components (annual base salary and fringe benefits), €3.7 million (previous year: €6.0 million) to performance-related components (variable components) and €6.7 million (previous year: €7.3 million) to components with a long-term incentive effect (SARS). The number of SARS was 1,936,470 (previous year: 1,591,332).

FORMER MEMBERS OF THE BOARD OF MANAGEMENT

The remuneration of former members of the Board of Management or their surviving dependants amounted to €25.3 million in the year under review (previous year: €6.0 million). The increase compared with the previous year was the result of two extraordinary items that will not impact the above line item on a permanent basis: firstly, the non-recurring payment made to Roger Crook, which is described in the remuneration report, and secondly, the increase in the number of retirees whose pension benefits fell due but for whom no new obligations were incurred in 2015. Those obligations were previously included in the provisions to be recognised for the pension fund members. The defined benefit obligation (DBO) for current pensions calculated under IFRSS was €94 million (previous year: €104 million). The decline in the DBO versus the prior year was mainly due to an increase in the IFRS discount rate.

REMUNERATION OF THE SUPERVISORY BOARD

The total remuneration of the Supervisory Board in financial year 2015 amounted to around €2.7 million (previous year: €3.3 million); as in the prior year, €2.4 million of this amount was attributable to a fixed component and €0.3 million to attendance allowances. Whereas, in the previous year, variable remuneration in the amount of €0.6 million was paid for 2012, the condition for payment of a variable remuneration for 2013 was not met in the year under review.

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 2015, 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 and notified to Deutsche Post AG in accordance with section 15a of the *Wertpapierhandelsgesetz* (WpHG – German Securities Trading Act) can be viewed on the company's website at www.dpdhl.com/en/investors.html.

54 Auditor's fees

The fee for the auditor of the consolidated financial statements, PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, amounted to €13 million in financial year 2015 and was recognised as an expense.

Auditor's fee

€m	2015
Financial statement audits	10
Other assurance services	0
Tax advisory services	0
Other services	3
Total	**13**

The financial statement audits category includes the fees for auditing the consolidated financial statements and for auditing the annual financial statements prepared by Deutsche Post AG and its German subsidiaries. The fees for reviewing the interim reports and those fees for voluntary audits beyond the statutory audit engagement, such as audits of the internal control system, are also reported in this category. The other services item relates to fees which cannot be allocated to the aforementioned categories and mainly includes services in the area of information technology.

55 Exemptions under the HGB and local foreign legislation

For financial year 2015, the following German subsidiaries have exercised the simplification options under section 264(3) of the HGB or section 264b of the HGB:

- Adcloud GmbH
- Agheera GmbH
- Albert Scheid GmbH
- CSG GmbH
- CSG.TS GmbH
- CSG.PB GmbH (formerly Zweite Logistik Entwicklungsgesellschaft MG 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 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 Express Holding GmbH
- Deutsche Post DHL Research and Innovation GmbH
- Deutsche Post Dialog Solutions GmbH (formerly Deutsche Post Com GmbH)
- Deutsche Post Direkt GmbH
- Deutsche Post E-Post Development GmbH
- Deutsche Post E-POST Solutions GmbH
- Deutsche Post Fleet GmbH
- Deutsche Post Ident GmbH (formerly Deutsche Post Signtrust und DMDA GmbH)
- Deutsche Post Immobilien GmbH
- Deutsche Post InHaus Services GmbH
- Deutsche Post Investments GmbH
- Deutsche Post IT BRIEF GmbH
- Deutsche Post IT Services GmbH
- Deutsche Post Mobility GmbH
- Deutsche Post Shop Essen GmbH
- Deutsche Post Shop Hannover GmbH
- Deutsche Post Shop München GmbH
- DHL Airways GmbH
- DHL Automotive GmbH
- DHL Automotive Offenau GmbH
- DHL Consulting GmbH (formerly Deutsche Post DHL Inhouse Consulting GmbH)
- DHL Delivery GmbH
- DHL Delivery Augsburg GmbH
- DHL Delivery Bayreuth GmbH
- DHL Delivery Berlin Nord GmbH
- DHL Delivery Berlin Südost GmbH
- DHL Delivery Berlin Zentrum GmbH
- DHL Delivery Bonn GmbH
- DHL Delivery Braunschweig GmbH
- DHL Delivery Bremen GmbH
- DHL Delivery Dortmund GmbH
- DHL Delivery Dresden GmbH
- DHL Delivery Duisburg GmbH
- DHL Delivery Düsseldorf GmbH
- DHL Delivery Erfurt GmbH
- DHL Delivery Essen GmbH
- DHL Delivery Frankfurt GmbH
- DHL Delivery Freiburg GmbH
- DHL Delivery Freising GmbH
- DHL Delivery Gießen GmbH
- DHL Delivery Göppingen GmbH
- DHL Delivery Hagen GmbH
- DHL Delivery Halle GmbH
- DHL Delivery Hamburg Süd GmbH
- DHL Delivery Hamburg Zentrum GmbH
- DHL Delivery Hannover GmbH
- DHL Delivery Herford GmbH
- DHL Delivery Karlsruhe GmbH
- DHL Delivery Kassel GmbH
- DHL Delivery Kiel GmbH
- DHL Delivery Koblenz GmbH
- DHL Delivery Köln West GmbH
- DHL Delivery Leipzig GmbH
- DHL Delivery Lübeck GmbH
- DHL Delivery Magdeburg GmbH
- DHL Delivery Mainz GmbH
- DHL Delivery Mannheim GmbH
- DHL Delivery München GmbH
- DHL Delivery Münster GmbH
- DHL Delivery Neubrandenburg GmbH
- DHL Delivery Nürnberg GmbH
- DHL Delivery Oldenburg GmbH
- DHL Delivery Ravensburg GmbH
- DHL Delivery Reutlingen GmbH
- DHL Delivery Rosenheim GmbH
- DHL Delivery Saarbrücken GmbH
- DHL Delivery Straubing GmbH
- DHL Delivery Stuttgart GmbH
- DHL Delivery Wiesbaden GmbH
- DHL Delivery Würzburg GmbH
- DHL Delivery Zwickau GmbH
- DHL Express Customer Service GmbH
- DHL Express Germany GmbH
- DHL Express Network Management GmbH
- DHL Fashion Retail Operation 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 Paket GmbH (formerly DHL Vertriebs GmbH)
- DHL Solutions Fashion GmbH
- DHL Solutions GmbH
- DHL Solutions Großgut GmbH
- DHL Solutions Retail GmbH
- DHL Sorting Center GmbH
- DHL Supply Chain (Leipzig) GmbH
- DHL Supply Chain Management GmbH
- DHL Supply Chain VAS GmbH
- DHL Trade Fairs & Events GmbH
- DHL Verwaltungs GmbH
- Erste End of Runway Development Leipzig GmbH
- Erste Logistik Entwicklungsgesellschaft MG GmbH
- European Air Transport Leipzig GmbH
- FIRST MAIL Düsseldorf GmbH
- Gerlach Zolldienste GmbH
- interServ Gesellschaft für Personal- und Beraterdienstleistungen mbH
- nugg.ad GmbH (formerly nugg.ad AG predictive behavioral targeting)
- StreetScooter GmbH
- Werbeagentur Janssen GmbH
- Williams Lea & TAG GmbH

The following companies in the UK make use of the audit exemption under section 479A of the UK Companies Act:

- DHL Exel Supply Chain Limited
- DHL Freight & Contract Logistics (UK) Limited
- Exel Freight Management (UK) Limited
- Exel Investments Limited
- Exel Overseas Limited
- Freight Indemnity & Guarantee Company Limited
- Joint Retail Logistics Limited
- KXC (Exel) GP Investment Limited
- Ocean Group Investments Limited
- Ocean Overseas Holdings Limited
- Power Europe Development Limited
- Power Europe Development No 3 Limited
- Power Europe Operating Limited
- Tibbett & Britten Applied Limited
- Trucks and Child Safety Limited

56 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 2015 required by section 161 of the AktG. This Declaration of Conformity can be accessed online at www.corporate-governance-code.de and at www.dpdhl.com/en/investors.html.

57 Significant events after the reporting date and other disclosures

In January 2016, Deutsche Post DHL Group acquired a minority interest of 27.5% in French e-commerce logistics specialist Relais Colis. This acquisition aims to improve the DHL divisions' access to the French e-commerce market. The investment supports the expansion of the collection point network and special delivery services for Relais Colis' e-commerce customers. Relais Colis will be accounted for using the equity method in the consolidated financial statements.

The remaining shares in the property development companies King's Cross Central General Partner Ltd., UK, and King's Cross Central Property Trust, UK, assigned to the Supply Chain division were sold at the end of January 2016, resulting in income of €63 million for the Group.

There were no other 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, 1 March 2016

Deutsche Post AG
The Board of Management

Dr Frank Appel	Ken Allen
Jürgen Gerdes	John Gilbert
Melanie Kreis	Lawrence Rosen

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 2015.

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. This responsibility includes that these consolidated financial statements are prepared in accordance with the International Financial Reporting Standards, 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 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 2015 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 group management report of Deutsche Post AG, Bonn, for the business year from 1 January to 31 December 2015. 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 Abs. 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, 1 March 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Gerd Eggemann	Dietmar Prümm
Wirtschaftsprüfer	*Wirtschaftsprüfer*
(German Public Auditor)	(German Public Auditor)

FURTHER INFORMATION
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GLOSSARY

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-POST
Secure, confidential and reliable electronic communication platform.

German federal network agency (*Bundesnetzagentur*)
German national regulator for electricity, gas, telecommunications, post and railway.

German 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.

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).

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.

B2C
The exchange of goods, services and information between businesses and consumers.

Block space agreement
Freight forwarders or shippers enter into block space agreements with airline companies which provide them with defined freight capacities on a regular flight against payment of a fee.

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 (CSI)
DHL's cross-divisional commercial and innovation unit.

Direct-to-market solutions (D2M)
End-to-end logistics solution that integrates DHL's warehouse management services with order-to-cash services. This enables manufacturers to bypass traditional wholesalers and/or distributors and build a direct trading relationship with their end customer – either the point of dispensing e.g. pharmacy or direct with the patient in an e-commerce channel.

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.

Hub
Collection point for transferring and connecting international shipments from and to multiple countries.

Kitting
Components are put together according to customer requirements and delivered either as a kit or pre-assembled.

Lead logistics provider
A logistics service provider who assumes the organisation of all or key logistics processes for the customer.

LTL (less than truckload)
Day-definite less-than-truckload road transport service.

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.

Supply chain
A series of connected resources and processes from sourcing materials to delivering goods to consumers.

Time Definite
Delivery of time-critical shipments by a pre-selected time.

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 and 8 feet wide (6 × 2.4 metres).

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MULTI-YEAR REVIEW

Key figures 2008 to 2015

€m	2008 adjusted	2009 adjusted	2010 adjusted	2011 adjusted	2012 adjusted	2013 adjusted	2014	2015
Revenue								
Post - eCommerce - Parcel (until 2013 Mail)	14,393	13,912	13,913	13,973	13,972	15,291	15,686	16,131
Express	13,637	9,917	11,111	11,691	12,778	11,821	12,491	13,661
Global Forwarding, Freight	14,179	11,243	14,341	15,118	15,666	14,787	14,924	14,890
Supply Chain	13,718	12,183	13,061	13,223	14,340	14,227	14,737	15,791
Divisions total	55,927	47,255	52,426	54,005	56,756	56,126	57,838	60,473
Corporate Center/Other[1]	1,782	1,527	1,302	1,260	1,203	1,251	1,345	1,269
Consolidation[1]	−3,235	−2,581	−2,340	−2,436	−2,447	−2,465	−2,553	−2,512
Total (continuing operations)	**54,474**	**46,201**	**51,388**	**52,829**	**55,512**	**54,912**	**56,630**	**59,230**
Discontinued operations	11,226	1,634	–	–	–	–	–	–
Profit/loss from operating activities (EBIT)								
Post - eCommerce - Parcel (until 2013 Mail)	2,179	1,391	1,120	1,107	1,048	1,286	1,298	1,103
Express	−2,194	−790	497	916	1,110	1,083	1,260	1,391
Global Forwarding, Freight	362	174	383	440	514	478	293	−181
Supply Chain	−920	−216	231	362	419	441	465	449
Divisions total	−573	559	2,231	2,825	3,091	3,288	3,316	2,762
Corporate Center/Other	−393	−328	−395	−389	−423	−421	−352	−351
Consolidation	0	0	−1	0	−3	−2	1	0
Total (continuing operations)	**−966**	**231**	**1,835**	**2,436**	**2,665**	**2,865**	**2,965**	**2,411**
Discontinued operations	−871	−24	–	–	–	–	–	–
Consolidated net profit/loss for the period	**−1,979**	**693**	**2,630**	**1,266**	**1,762**	**2,211**	**2,177**	**1,719**
Cash flow/capex/depreciation, amortisation and impairment losses								
Net cash from/used in operating activities	1,939	−584	1,927	2,371	−203	2,989	3,040	3,444
Net cash used in/from investing activities	−441	−2,710	8	−1,129	−1,697	−1,765	−1,087	−1,462
Net cash used in/from financing activities	−1,468	1,676	−1,651	−1,547	1,199	−110	−2,348	−1,367
Free cash flow	–	–	484	749	−1,885	1,669	1,345	1,724
Capex	1,727	1,171	1,262	1,716	1,697	1,747	1,876	2,024
Depreciation, amortisation and impairment losses	2,662	1,620	1,296	1,274	1,339	1,337	1,381	1,665
Assets and capital structure								
Non-current assets	20,517	22,022	24,493	21,225	21,568	21,370	22,902	23,727
Current assets	242,447	12,716	13,270	17,183	12,289	14,091	14,077	14,143
Equity (excluding non-controlling interests)	7,826	8,176	10,511	11,009	9,019	9,844	9,376	11,034
Non-controlling interests	2,026	97	185	190	209	190	204	261
Current and non-current provisions	10,836	9,677	9,427	9,008	8,978	8,481	10,411	9,361
Current and non-current liabilities	242,276	16,788	17,640	18,201	15,651	16,946	16,988	17,214
Total assets	**262,964**	**34,738**	**37,763**	**38,408**	**33,857**	**35,461**	**36,979**	**37,870**

D.01

		2008 adjusted	2009	2010	2011	2012 adjusted	2013 adjusted	2014	2015
Employees/staff costs (continuing operations)									
Number of employees[2]	at 31 Dec.	512,536	477,280	467,088	471,654	473,626	479,690	488,824	497,745
Full-time equivalents[3]	at 31 Dec.	451,515	424,686	418,946	423,502	428,129	434,974	443,784	450,508
Average number of employees[2]		511,292	488,518	464,471	467,188	472,321	478,903	484,025	492,865
Staff costs	€m	18,389	17,021	16,609	16,730	17,770	17,776	18,189	19,640
Staff cost ratio[4]	%	33.8	36.8	32.3	31.7	32.0	32.4	32.1	33.2
Key figures revenue/income/ assets and capital structure									
Return on sales[5]	%	−1.8	0.5	3.6	4.6	4.8	5.2	5.2	4.1
Return on equity (ROE) before taxes[6]	%	−9.0	3.0	29.8	15.2	23.6	26.7	26.3	19.7
Return on assets[7]	%	−0.4	0.2	5.1	6.4	7.4	8.3	8.2	6.4
Tax rate[8]	%	–	5.4	6.9	23.7	20.2	14.0	15.5	16.4
Equity ratio[9]	%	3.7	23.8	28.3	29.2	27.3	28.3	25.9	29.8
Net debt (+)/net liquidity (–)[10]	€m	2,466	−1,690	−1,382	−938	1,952	1,499	1,499	1,093
Net gearing[11]	%	23.7	−25.7	−14.8	−9.1	17.5	13.0	13.5	8.8
Dynamic gearing[12]	years	0.7	−1.4	−0.7	−0.4	−9.6	0.5	0.5	0.4
Key stock data									
Basic earnings per share[13]	€	−1.40	0.53	2.10	0.96	1.36	1.73	1.71	1.27
Diluted earnings per share[14]	€	−1.40	0.53	2.10	0.96	1.30	1.66	1.64	1.22
Cash flow per share[13, 15]	€	1.60	−0.48	1.59	1.96	−0.17	2.47	2.51	2.84
Dividend distribution	€m	725	725	786	846	846	968	1,030	1,031[16]
Payout ratio	%	–	112.6	30.9	72.7	51.6	46.3	49.7	66.9
Dividend per share	€	0.60	0.60	0.65	0.70	0.70	0.80	0.85	0.85[16]
Dividend yield	%	5.0	4.4	5.1	5.9	4.2	3.0	3.1	3.3
Price-to-earnings ratio[17]		−8.5	25.5	6.0	12.4	12.2	15.3	15.8	20.4
Number of shares carrying dividend rights	millions	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0	1,209.0	1,211.2	1,212.8
Year-end closing price	€	11.91	13.49	12.70	11.88	16.60	26.50	27.05	25.96

[1] 2014: Adjustment due to reorganisation in accordance with “Strategy 2020”. [2] Headcount including trainees. [3] Excluding trainees. [4] Staff costs/revenue. [5] EBIT/revenue. [6] Profit before income taxes/average equity (including non-controlling interests). [7] EBIT/average total assets. [8] Income taxes/profit before income taxes. [9] Equity (including non-controlling interests)/total assets. [10] Group Management Report, page 61. [11] Net debt/net debt and equity (including non-controlling interests). [12] Net debt/cash flow from operating activities. [13] The average number of shares outstanding is used for the calculation. [14] The average number of shares outstanding is adjusted for the number of all potentially dilutive shares. [15] Cash flow from operating activities. [16] Proposal. [17] Year-end closing price/basic earnings per share.

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FINANCIAL CALENDAR

2016

11 MAY 2016
Interim Report
as at 31 March 2016

18 MAY 2016
2016 Annual General Meeting
(Frankfurt am Main)

19 MAY 2016
Dividend payment

3 AUGUST 2016
Interim Report
as at 30 June 2016

8 NOVEMBER 2016
Interim Report
as at 30 September 2016

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8 MARCH 2017
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28 APRIL 2017
2017 Annual General Meeting
(Bochum)

2 MAY 2017
Dividend payment

11 MAY 2017
Interim Report
as at 31 March 2017

8 AUGUST 2017
Interim Report
as at 30 June 2017

8 NOVEMBER 2017
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